

**UPPER PENINSULA REGION OF
LIBRARY COOPERATION, INC.**

AUDITED FINANCIAL STATEMENTS

For the Year Ended September 30, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the
Upper Peninsula Region of Library Cooperation, Inc.
1615 Presque Isle Avenue
Marquette, Michigan 49855

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Peninsula Region of Library Cooperation (the Cooperation), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Cooperation'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, each major fund, and the aggregate remaining fund information of the Cooperation, as of September 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Cooperation 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.

Change in Accounting Principle

As described in Note M to the financial statements, in fiscal year 2025, the Cooperation adopted new accounting guidance, GASB Statement No. 101, Compensated Absences. Our opinion is not modified with respect to this matter.

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 Cooperation'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.

Auditor's 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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is 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 and *Government 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 Cooperation'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 Cooperation'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 listed 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cooperation's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2026, on our consideration of the Cooperation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cooperation's internal control over financial reporting and compliance.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

March 26, 2026

Upper Peninsula Region of Library Cooperation, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Upper Peninsula Region of Library Cooperation, Inc.'s (the Cooperation) financial performance provides an overview of the Cooperation's financial activities for the year ended September 30, 2025. Please read it in conjunction with the financial statements as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- Net position for the Cooperation as a whole was reported at \$458,105. The net position is comprised of 100% governmental activities. This represents an increase of \$33,073 from prior year when net position was reported at \$425,032.
- During the year, the Cooperation's total expenses were \$327,656, while revenues from all sources totaled \$360,729, resulting in an increase in net position of \$33,073.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities, as listed in the table of contents, provide information about the activities of the Cooperation as a whole and present a longer-term view of the Cooperation finances.

Reporting the Cooperation as a Whole

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

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

Reporting the Cooperation's Most Significant Funds

The Cooperation only reports one fund which is the General Fund. The fund financial statements are reported in combination with the government-wide financial statements, as listed in the table of contents. The General Fund, a governmental fund, is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

view of the Cooperation’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Cooperation’s program.

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

Upper Peninsula Region of Library Cooperation, Inc. as a Whole

Table 1 provides a summary of the Cooperation’s net position as of September 30, 2025 and 2024.

	2025	2024
Current and other assets	\$500,012	\$468,343
Capital assets, net	279,181	358,947
Total Assets	<u>779,193</u>	<u>827,290</u>
Deferred outflows of resources	-	-
Current liabilities	8,021	12,776
Noncurrent liabilities	306,274	379,978
Total Liabilities	<u>314,295</u>	<u>392,754</u>
Deferred inflows of resources	6,793	9,504
Net Position:		
Net investment in capital assets	(8,775)	(3,708)
Restricted	5,664	2,752
Unrestricted	461,216	425,988
Total Net Position	<u>\$458,105</u>	<u>\$425,032</u>

Net position of the Cooperation’s governmental activities stood at \$458,105. Unrestricted net position — the part of net position that could be used to finance day-to-day activities stood at \$461,216.

The \$461,216 in unrestricted net position represents the accumulated results of all past years’ operations. The results of this year’s operations for the Cooperation as a whole are reported in the Statement of Activities (See Table 2), which shows the changes in net position for fiscal years 2025 and 2024.

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

**Table 2
Statement of Activities**

	2025	2024
Program Revenues:		
Charges for services	\$344,492	\$351,690
General Revenues:		
Interest income	15,287	13,929
Miscellaneous	950	1,022
Total Revenues	<u>360,729</u>	<u>366,641</u>
Program Expenses:		
Library services	327,656	356,163
Total Expenses	<u>327,656</u>	<u>356,163</u>
Change in net position	33,073	10,478
Net position, beginning	425,032	414,554
Net Position, Ending	<u>\$458,105</u>	<u>\$425,032</u>

The Cooperation’s total revenues were \$360,729. The total cost of all programs and services was \$327,656 leaving an increase in net position of \$33,073 as a result of fiscal year 2025 operations. As of September 30, 2025, the Cooperation showed a net increase in fund balance (excess revenues over expenditures) of \$39,135; this total was reduced by amortization expense of \$79,766, increased by repayment of subscription liabilities of \$74,699, and decreased by change in compensated absences of \$995, resulting in the increase in net position of \$33,073.

UPPER PENINSULA REGION OF LIBRARY COOPERATION, INC.’S FUNDS

As the Cooperation completed the year, its General Fund, which includes the Cooperation’s General Fund for Administration and the Automated Library Services Fund, reported a fund balance of \$485,198 an increase of \$39,135 from the beginning of the year.

General Fund Budgetary Highlights

The Cooperation’s General Fund includes the Automated Library Services Fund, and the General Fund for Administration. Final projected revenues for the Automated Library Services Fund were \$348,297 and final projected expenses were \$318,060, resulting in a projected increase in the fund balance of \$30,236. Actual results were total revenues of \$349,813 and total expenditures of \$311,182, resulting in revenues exceeding expenditures by \$38,631 before transfers. Projected revenues and expenditures did include revenues and expenditures for items re-billed to libraries for optional products.

The Cooperation’s General Fund for Administration projected revenues were \$4,725 and projected expenditures were \$5,120, resulting in a projected decrease in the General Fund Balance for Administration of \$395. Actual results were total revenues of \$4,725 and total expenditures of \$5,089 resulting in expenditures exceeding revenues by \$364.

The Cooperation’s Continuing Education Fund projected revenues were \$6,050 and projected expenditures were \$6,850 resulting in a decrease in fund balance of \$800. Actual results were total revenues of \$6,191 and total expenditures of \$5,323, resulting in revenues exceeding expenditures by \$868.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2025, the Cooperation had \$279,181 invested in capital assets. (See Table 3 below)

Table 3
Capital Assets at Year-End

	2025	2024
Land	\$-	\$-
Buildings and improvements	-	-
Equipment	11,187	11,187
Intangible right to use software agreements	398,830	398,830
Total Capital Assets	410,017	410,017
Accumulated depreciation/amortization	(130,836)	(51,070)
Capital Assets, Net	<u>\$279,181</u>	<u>\$358,947</u>

During the year, the Cooperation did not purchase any new capital assets. The Cooperation did not dispose of any assets.

Further details on capital assets can be found in the notes to the financial statements.

Debt

At year-end, the Cooperation had \$287,956 in debt outstanding as depicted in Table 4 below.

Table 4
Outstanding Debt at Year-End

	2025	2024
Subscription liability	<u>\$287,956</u>	<u>\$362,655</u>
Total	<u>\$287,956</u>	<u>\$362,655</u>

In the prior year, the Cooperation did not issue any new debt. Principal payments relating to the subscription liability totaled \$74,699 in the current year.

Further details on long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the budget for next year, the Board anticipates conditions to remain the same for the FY 2025/2026 as they were for FY 2024/2025 with some minor changes.

CONTACTING THE COOPERATION FINANCIAL MANAGEMENT

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

Upper Peninsula Region of Library Cooperation, Inc.

STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2025

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 481,976	\$ -	\$ 481,976
Due from state	-	-	-
Accounts receivable	14,886	-	14,886
Prepaid expenses	3,150	-	3,150
Non-Current Assets:			
Capital assets, net of depreciation	-	279,181	279,181
	<u>500,012</u>	<u>279,181</u>	<u>779,193</u>
TOTAL ASSETS			
	-	-	-
DEFERRED OUTFLOWS OF RESOURCES			
	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 500,012</u>		
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 5,507	-	5,507
Due to members	2,514	-	2,514
Non-Current Liabilities:			
Portion due or payable within one year:			
Accrued paid time off	-	9,473	9,473
Subscription liability	-	77,946	77,946
Portion due or payable after one year:			
Accrued paid time off	-	8,845	8,845
Subscription liability	-	210,010	210,010
	<u>8,021</u>	<u>306,274</u>	<u>314,295</u>
TOTAL LIABILITIES			
	6,793	-	6,793
DEFERRED INFLOWS OF RESOURCES			
	6,793	-	6,793
FUND BALANCE			
Non-spendable			
Prepaid expenses	3,150	(3,150)	-
Restricted:			
Member restricted	2,514	(2,514)	-
Assigned:			
UPRLC Continuing Education	8,532	(8,532)	-
Accrued Paid Time Off	18,318	(18,318)	-
Automated Library Service General	447,311	(447,311)	-
Unassigned:			
UPRLC General	5,373	(5,373)	-
	<u>485,198</u>	<u>(485,198)</u>	<u>-</u>
TOTAL FUND BALANCE			
	485,198	(485,198)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 500,012</u>		
NET POSITION			
Net investment in capital assets		(8,775)	(8,775)
Restricted		5,664	5,664
Unrestricted		461,216	461,216
		<u>461,216</u>	<u>461,216</u>
TOTAL NET POSITION		<u>\$ 458,105</u>	<u>\$ 458,105</u>

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

Upper Peninsula Region of Library Cooperation, Inc.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION

September 30, 2025

Total Fund Balances for Governmental Funds \$ 485,198

*Amounts reported for governmental activities in the statement
of net position are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds.

Cost of capital assets	\$ 410,017	
Accumulated depreciation/amortization	<u>(130,836)</u>	279,181

Long-term liabilities are not due and payable in the current period and are
not reported in the funds. Long-term liabilities at year-end consist of:

Subscription liability - current portion	(77,946)
Subscription liability - long-term portion	(210,010)
Accrued paid time off - current portion	(9,473)
Accrued paid time off - long-term	<u>(8,845)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 458,105

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

Upper Peninsula Region of Library Cooperation, Inc.

STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended September 30, 2025

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES:			
Library services	\$ 321,594	\$ 6,062	\$ 327,656
Capital outlay	-	-	-
Loss on disposal of asset	-	-	-
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES/EXPENSES	321,594	6,062	327,656
	<hr/>	<hr/>	<hr/>
PROGRAM REVENUES:			
Charges for services	344,492	-	344,492
	<hr/>	<hr/>	<hr/>
TOTAL PROGRAM REVENUES	344,492	-	344,492
	<hr/>	<hr/>	<hr/>
NET PROGRAM EXPENSE			16,836
			<hr/>
GENERAL REVENUES:			
Loan proceeds	-	-	-
Interest income	15,287	-	15,287
Miscellaneous	950	-	950
	<hr/>	<hr/>	<hr/>
TOTAL GENERAL REVENUES	16,237	-	16,237
	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES OVER EXPENDITURES	39,135	(39,135)	
CHANGE IN NET POSITION		33,073	33,073
FUND BALANCE/NET POSITION:			
Beginning of the year	446,063		425,032
	<hr/>		<hr/>
END OF YEAR	\$ 485,198		\$ 458,105
	<hr/> <hr/>		<hr/> <hr/>

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

Upper Peninsula Region of Library Cooperation, Inc.

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2025

Net Change in Fund Balances - Total Governmental Funds \$ 39,135

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation/amortization expense	\$ (79,766)	
Capital Outlay	-	
Loss on Disposal of Assets	-	(79,766)

Proceeds from the issuance of debt (including subscription transactions) are an other financing source in the governmental funds, but it increases long-term liabilities on the statement of net position -

Repayment of subscription liabilities is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net position. 74,699

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (995)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 33,073

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

UPPER PENINSULA REGION OF LIBRARY COOPERATION, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2025

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Upper Peninsula Region of Library Cooperation, Inc. (the Cooperation) is a non-profit corporation under the Internal Revenue Code section 501(c)(3). Its purpose and mission is to facilitate the sharing of information resources among its members. The Cooperation's membership consists of school, school/public, public, academic and special libraries throughout the Upper Peninsula and Northern Michigan. As all the Cooperation's members are schools or libraries, which utilize governmental financial reporting standards, the Cooperation has elected to present its financial statements under governmental standards as set by the Governmental Accounting Standards Board (GASB).

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

BASIS OF PRESENTATION

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

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

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

- a. The General Fund governmental fund utilizes a “current financial resources” measurement focus. Only current financial assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally included on the balance sheet. The operating statement presents sources and uses of available spendable financial resources during a given period. This fund uses fund balance as its measure of available spendable resources at the end of the period.
- b. The government-wide statements utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position and cash flows. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources whether current or noncurrent, associated with their activities are reported. Government –wide fund equity is classified as net position.

Basis of Accounting

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

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

OTHER SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents and Investments – The Cooperation’s cash and cash equivalents as reported in the Statement of Net Position are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less. Investments are carried at fair value. The fair value measurements of investments is based on the hierarchy established by generally accepted accounting principles, which has three levels based on the valuation inputs used to measure an asset’s fair value.

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

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

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

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

Buildings	50 years
Equipment	3 – 20 years

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

Deferred Outflows of Resources – In addition to assets, the statement of net position and governmental funds balance sheet 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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any items that qualify for reporting in this category.

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

Subscription Liability – A subscription liability is reported in the statement of net position for transactions that meet the definition of a subscription-based information technology arrangements (SBITAs). Under GASB 96, a SBITA is defined as "a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction". The entity records a liability for SBITAs, which give the entity the right to use IT assets. Conversely, an intangible right to use asset is also recorded on the statement of net position, which is amortized over the shorter of the SBITA term or the useful life of the underlying asset.

Deferred Inflows of Resources – In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This 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 government reports the following in this category:

Deferred inflows of resources are reported in the government-wide and governmental fund financial statements for membership money that is received during the current year, but will be used to finance the subsequent year. The General Fund reported membership money that has been received but is unearned of \$6,793 at the end of the fiscal year.

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

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

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

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

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

Subsequent Events – Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through March 26, 2026, which is the date the financial statements were available to be issued.

NOTE B – ORGANIZATIONAL PURPOSE:

The Cooperation was formed for the purpose of facilitating the sharing of information resources among the libraries of the Upper Peninsula and Northern Lower Michigan and to enable them to interact with other regional and national electronic bibliographical communication systems. Memberships at present consists of approximately 101 libraries.

NOTE C – INCOME TAX STATUS:

The Internal Revenue Service has ruled the Cooperation qualifies under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to tax under present income tax laws. The Organization’s federal Exempt Organization Business Income Tax Returns for 2023, 2024, and 2025 are subject to examination by the IRS, generally for three years after they were filed.

NOTE D – CASH AND CASH EQUIVALENTS:

Cash and Equivalents

The Cooperation’s cash and equivalents, as reported in the Statement of Net Position, consisted of the following:

Cash in demand accounts	\$156,679
Cash in savings accounts	197,148
Certificate of Deposit	128,149
Total	<u>\$481,976</u>

NOTE D – CASH AND INVESTMENTS (Continued):

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Cooperation's deposits may not be returned to it. State law does not require and the Cooperation does not have a deposit policy for custodial credit risk. The carrying amount of the Cooperation's deposits with financial institutions was \$481,976 and the bank balance was \$501,313. Of the bank balance, \$501,313 or approximately 100% was covered by federal depository insurance according to FDIC regulations. The bank balance is categorized as follows:

Amount insured by the FDIC	\$501,313
Amount collateralized	-
Amount uncollateralized and uninsured	-
Total	<u>\$501,313</u>

Investments

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of September 30, 2025, the Cooperation did not have any investments.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize governmental units to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The Cooperation has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The Cooperation places no limit on the amount the Organization may invest in any one issuer.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Cooperation's investments. The Cooperation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE E – CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2025, is as follows:

	Balance 9/30/2024	Additions	Disposals	Balance 9/30/2025
Asset Cost:				
Land	\$-	\$-	\$-	\$-
Buildings and improvements	-	-	-	-
Equipment	11,187	-	-	11,187
Intangible right to use software agreements	398,830	-	-	398,830
Total Asset Cost	<u>410,017</u>	<u>-</u>	<u>-</u>	<u>410,017</u>
Accumulated Depreciation/Amortization:				
Buildings and improvements	-	-	-	-
Equipment	(11,187)	-	-	(11,187)
Intangible right to use software agreements	(39,883)	(79,766)	-	(119,649)
Total Accumulated Depreciation/Amortization	<u>(51,070)</u>	<u>(79,766)</u>	<u>-</u>	<u>(130,836)</u>
Net Capital Assets	<u>\$358,947</u>	<u>(\$79,766)</u>	<u>\$-</u>	<u>\$279,181</u>

Depreciation and amortization expense charged to governmental activities was \$79,766.

NOTE F – LONG-TERM DEBT:

The following is a summary of transactions for commitments under loan agreements, subscription agreements, and compensated absences for the year ended September 30, 2025:

	Balance 10/1/24	Additions	Deductions	Balance 9/30/25	Due Within One Year
Notes:					
None	\$-	\$-	\$-	\$-	\$-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subscriptions:					
Integrated Library System	362,655	-	(74,699)	287,956	77,946
Subtotal	<u>362,655</u>	<u>-</u>	<u>(74,699)</u>	<u>287,956</u>	<u>77,946</u>
Employee Benefits:					
Accrued paid time off	17,323	995	-	18,318	9,473
subtotal	<u>17,323</u>	<u>995</u>	<u>-</u>	<u>18,318</u>	<u>9,473</u>
Total	<u>\$379,978</u>	<u>\$995</u>	<u>(\$74,699)</u>	<u>\$306,274</u>	<u>\$87,419</u>

The total interest charged to expense is \$14,800 for the year ended September 30, 2025.

NOTE G – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS:

During a prior fiscal year, the Cooperation entered into one software arrangement that requires recognition under GASBS No. 96. The software amortization expense is included on the Statement of Activities and Governmental Revenues, Expenses and Changes in Fund Balance related to the intangible asset, which is included in the Capital Asset footnote as Intangible Right-to-Use Software Arrangements. The Cooperation now recognizes a subscription-based information technology arrangements (SBITA) liability and an intangible right-to-use asset for the software.

**NOTE G – SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS
(Continued):**

The following is a table outlines the subscription liabilities for the year ended September 30, 2025:

Description	Date	Payment Terms	Payment Amount	Interest Rate	Balance September 30, 2025
Integrated Library System	4/1/2024 through 3/31/2029	5 years	\$44,750 every six months	4.30%	\$287,956
				Total	<u>\$287,956</u>

The total of the Cooperation’s subscription assets are recorded at a cost of \$398,830, less accumulated amortization of \$119,649. These assets will be amortized over the subscription terms since the related software will be replaced at the end of the arrangement term and replaced with upgraded software. The above subscription does not have an option to extend or to purchase the software.

Annual requirements to amortize the long-term obligations and related interest are as follows:

Fiscal Year	Principal	Interest	Total
2026	\$77,946	\$11,553	\$89,499
2027	81,334	8,165	89,499
2028	84,869	4,630	89,499
2029	43,807	942	44,749
Total	<u>\$287,956</u>	<u>\$25,290</u>	<u>\$313,246</u>

NOTE H – ACCRUED PAID TIME OFF:

The entity records on the government-wide Statement of Net Position the accrued liability arising from accumulated vested personal time off and vacation leave which is payable to entity employees when they separate from employment. The Board of Directors adopted a revised personnel policy manual on 3/12/2025. Under the new policies, leave designated as personal time off was frozen and will no longer accrue.

Employees hired before 3/12/2025 are eligible for compensation at separation for up to 50% of their accumulated personal time off; the compensation scale is based on years of service with the Cooperation. For employees with less than 8 years of service, personal time off payable upon separation ranges from 10% - 40%, depending on the number of years of service.

Beginning 3/12/2025, all employees are eligible at separation for unused accrued vacation leave. Employees hired before 3/12/2025 are eligible to be compensated for up to two years of accrued vacation leave and employees hired after 3/12/2025 are eligible to be compensated for up to one year of vacation leave. Vacation accrual is based on years of service with the Cooperation.

Beginning 3/12/2025, employees may accrue up to 70 hours of sick time, however, there is no payout at termination.

As recorded under GASBS No. 101, Compensated Absences, the total of accumulated personal time off payable as of September 30, 2025 is \$18,318.

NOTE I – DUE TO MEMBERS:

Throughout the year, and in past years, the Cooperation has received money from some of its members that are to be used at the discretion of the member but held by the Cooperation. As of September 30, 2025, monies held on behalf of members is as follows:

Due to MAPS – Graveraet School Library	\$11
Due to Lake Superior State University	2,503
Due to Members at September 30, 2025	<u>\$2,514</u>

The monies held on behalf of members is classified as “restricted” on the Statement of Net Position and Governmental Funds Balance Sheet.

NOTE J – UNEARNED REVENUES:

Certain member libraries participating in the Automated Library System (ALS) are being assessed operational fees. Monies collected in advance are being recorded as deferred inflows of resources (unearned revenues). The purpose of ALS is to facilitate the sharing of information resources among the participating libraries.

Manistique School and Public Library	\$4,712
Bessemer Public Library	2,081
Other	-
Total	<u>\$6,793</u>

NOTE K – FUND BALANCES – GOVERNMENTAL FUNDS:

Fund balances of the governmental funds are classified as follows:

Non-spendable — amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees. The Board of Trustees is the highest level of decision-making authority for the Cooperation. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Trustees.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Cooperation’s adopted policy, only the Board of Trustees may assign amounts for specific purposes.

Unassigned — all other spendable amounts.

NOTE K – FUND BALANCES – GOVERNMENTAL FUNDS (continued):

As of September 30, 2025, fund balances are composed of the following:

	<u>General Fund</u>
Non-spendable	
Prepaid expenses	\$3,150
Restricted:	
Member restricted - ALS	2,514
Assigned:	
Continuing education	8,532
Accrued paid time off	18,318
Automated Library System	447,311
Unassigned	<u>5,373</u>
Total Fund Balances	<u>\$485,198</u>

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the Board of Trustees through adoption or amendment of the budget as intended for specific purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Cooperation considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Cooperation considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

NOTE L – SINGLE AUDIT:

The Cooperation's audited financial statements reported no federal expenditures. As the amount is less than the single audit threshold of \$1,000,000 an audit in accordance with the Uniform Guidance is not required for fiscal year ending September 30, 2025.

NOTE M – NEW GASB STANDARDS:

Management of the Cooperation has reviewed the following pronouncements released by the Governmental Accounting Standards Board (GASB) that are effective in the current fiscal year for applicability. Pronouncements deemed applicable to the Cooperation by management are described below in *Recently Issued and Adopted Accounting Pronouncements*; pronouncements not applicable are described in *Other Recently Issued Accounting Pronouncements*.

Recently Issued and Adopted Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. GASB 101 is built on the unified recognition and measurement model that will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model

NOTE M – NEW GASB STANDARDS (continued):

also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. This statement is effective for periods beginning after December 15, 2023. The Cooperation does have activities that meet the criteria for GASB 101; therefore, this statement is applicable to the Cooperation. Accordingly, as enumerated upon in Note F, the Cooperation did not restate beginning net position for adopting the change in accounting principle due to the change not being material to the financial statements.

Other Recently Issued Accounting Pronouncements

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. GASB 102 is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. This statement is effective for periods beginning after June 15, 2024. The Cooperation does not have activities that meet the criteria for GASB 102; therefore, this statement is not applicable to the Cooperation.

REQUIRED SUPPLEMENTAL INFORMATION

Upper Peninsula Region of Library Cooperation, Inc.

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Year Ended September 30, 2025

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
REVENUES:				
Membership	\$ 328,576	\$ 328,825	\$ 328,966	\$ 141
Interest	7,000	14,323	15,287	964
Sale services - re-billed	20,980	14,974	15,526	552
Communications reimbursement	-	-	-	-
Miscellaneous revenue	950	950	950	-
TOTAL REVENUES	<u>357,506</u>	<u>359,072</u>	<u>360,729</u>	<u>1,657</u>
EXPENDITURES:				
Professional and Contractual:				
Management	201,372	204,875	200,750	4,125
Legal	-	-	-	-
Accounting	3,015	3,440	3,440	-
Other	-	-	-	-
Printing and publishing	-	-	-	-
Office expenses	500	531	330	201
Information technology	500	500	100	400
Travel	250	250	-	250
Conference, conventions, and meetings	6,500	10,650	8,871	1,779
Insurance	3,910	3,189	3,189	-
Capital outlay	-	-	-	-
Other Expenses:				
Repairs and maintenance	88,147	91,371	89,058	2,313
Operating supplies	250	250	330	(80)
Communications	-	-	-	-
Re-billed	20,980	14,974	15,526	(552)
Miscellaneous	-	-	-	-
TOTAL EXPENDITURES	<u>325,424</u>	<u>330,030</u>	<u>321,594</u>	<u>8,436</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	32,082	29,042	39,135	10,093
OTHER FINANCING SOURCES (USES):				
Loan proceeds	-	-	-	-
TOTAL FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCES	32,082	29,042	39,135	10,093
Fund balance, beginning of year	<u>446,063</u>	<u>446,063</u>	<u>446,063</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 478,145</u></u>	<u><u>\$ 475,105</u></u>	<u><u>\$ 485,198</u></u>	<u><u>\$ 10,093</u></u>

OTHER SUPPLEMENTAL INFORMATION

Upper Peninsula Region of Library Cooperation, Inc.

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended September 30, 2025

	Assigned			Unassigned	Totals
	Continuing Education	Paid Time Off	Automated Library Service General	UPRLC General	
REVENUES:					
Membership	\$ 6,191	\$ -	\$ 318,150	\$ 4,625	\$ 328,966
Interest	-	-	15,287	-	15,287
Sale services - re-billed	-	-	15,526	-	15,526
Communications reimbursement	-	-	-	-	-
Miscellaneous revenue	-	-	850	100	950
TOTAL REVENUES	6,191	-	349,813	4,725	360,729
EXPENDITURES:					
Professional and Contractual:					
Management	-	-	200,750	-	200,750
Legal	-	-	-	-	-
Accounting	-	-	-	3,440	3,440
Other	-	-	-	-	-
Printing and publishing	-	-	-	-	-
Office expenses	31	-	299	-	330
Information technology	-	-	100	-	100
Travel	-	-	-	-	-
Conference, conventions, and meetings	5,292	-	3,579	-	8,871
Insurance	-	-	1,540	1,649	3,189
Capital outlay	-	-	-	-	-
Other Expenses:					
Repairs and maintenance	-	-	89,058	-	89,058
Operating supplies	-	-	330	-	330
Communications	-	-	-	-	-
Re-billed	-	-	15,526	-	15,526
Miscellaneous	-	-	-	-	-
TOTAL EXPENDITURES	5,323	-	311,182	5,089	321,594
EXCESS REVENUES OVER (UNDER) EXPENDITURES	868	-	38,631	(364)	39,135
OTHER FINANCING SOURCES (USES):					
Loan proceeds	-	-	-	-	-
Transfers in	-	995	-	-	995
Transfers (out)	-	-	(995)	-	(995)
TOTAL FINANCING SOURCES (USES)	-	995	(995)	-	-
CHANGE IN FUND BALANCES	868	995	37,636	(364)	39,135
Fund balances, beginning of year	7,664	17,323	415,339	5,737	446,063
FUND BALANCES, END OF YEAR	\$ 8,532	\$ 18,318	\$ 452,975	\$ 5,373	\$ 485,198

COMPLIANCE SECTION



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

To the Board of Trustees of the
Upper Peninsula Region of Library Cooperation, Inc.
1615 Presque Isle Avenue
Marquette, Michigan 49855

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Upper Peninsula Region of Library Cooperation, Inc. (the Cooperation), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Cooperation's basic financial statements and have issued our report thereon dated March 26, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cooperation's internal control over financial reporting (internal control) to determine the 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 Cooperation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperation's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Report to Management that we consider to be significant deficiencies item 2025-001.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement 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 disclose no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Cooperation's Response to Findings

Government Auditing Standards required the auditor to perform limited procedures on the Cooperation's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Cooperation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

March 26, 2026

COMMUNICATIONS SECTION



Upper Peninsula Region of Library Cooperation, Inc.
Report to Management
For the Year Ended September 30, 2025

To the Board of Trustees and Management of the
Upper Peninsula Region of Library Cooperation, Inc.
1615 Presque Isle Avenue
Marquette, Michigan 49855

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Upper Peninsula Region of Library Cooperation, Inc. (the Cooperation) 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 Cooperation's system of 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 Cooperation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperation'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 certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 deficiencies in internal control to be significant deficiencies:

SIGNIFICANT DEFICIENCIES

2025-001 SEGREGATION OF DUTIES (REPEAT)

Condition/Criteria: The size of the Cooperation's accounting and administrative staff precludes certain internal design controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

To the Board of Trustees and Management
of the Upper Peninsula Region of Library Cooperation, Inc.

Cause of Condition: Smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing these design controls and often have compensating controls to partially mitigate this deficiency.

Effect: The segregation of duties is less than optimal due to the size of the organization and could allow for a misstatement to be overlooked by management.

Recommendation: These control deficiencies can be overcome by reviewing major account reconciliations, involvement in certain cycles of operation, and financial oversight of the Cooperation's financial affairs by the Board of Trustees.

Management Response-Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Director and Board of Trustees
- Corrective Action Planned:
 - See separate Corrective Action Plan
- Anticipated Completion Date:
 - Not applicable

The Cooperation's written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Anderson, Tackman & Company, PLLC
Certified Public Accountants

March 26, 2026



Upper Peninsula Region of Library Cooperation, Inc.
Communication with Those Charged with Governance
For the Year Ended September 30, 2025

March 26, 2026

To the Board of Trustees of the
Upper Peninsula Region of Library Cooperation, Inc.
1615 Presque Isle Avenue
Marquette, Michigan 49855

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Upper Peninsula Region of Library Cooperation, Inc. (the Cooperation) 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 December 15, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Cooperation are described in the notes to the financial statements. As described in Note M to the financial statements, the Cooperation changed accounting policies related to Compensated Absences by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 101, Compensated Absences, in fiscal year 2025. The cumulative effect of the accounting change was not material and, accordingly, no restatement of the beginning balance was deemed necessary. We noted no transactions entered into by the Cooperation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Cooperation's financial statements were:

Management's estimate of the accumulated depreciation and depreciation expense is based on historical cost and estimated useful life. Depreciation is calculated using the

straight-line method. We evaluated the methods, assumptions and data used to develop the current year depreciation and accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimates of the Cooperation's intangible right-to-use subscription arrangement assets (and amortization thereof) along with the subscription liabilities are based on amounts disclosed in the arrangement documents. The Cooperation uses the straight-line method for amortizing the intangible right-to-use subscription arrangement assets. We evaluated methods, assumptions, and data used to record the subscription arrangement assets, accumulated amortization of such assets and the amortization expense of said assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the accrued sick and vacation is based on employee pay rates, historical usage, and the various subsidiary ledgers maintained for hour balances. We evaluated the methods, assumptions, and data used to develop the accrued employee benefit balances in determining that it is reasonable in relation to the financial statements taken as a whole.

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 procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 26, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Cooperation's financial statements or a

determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Cooperation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Our consideration of internal control over financial reporting was for the limited purpose described in a separate letter and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Report to Management that we consider to be significant deficiencies in internal control over financial reporting (2025-001).

Upcoming Changes in Accounting Standards

The Governmental Accounting Standards Board (GASB) has recently released new standards that may be applicable to the Cooperation in the future. We encourage management to review the information included in the Attachment and determine which standard(s) may be applicable to the Cooperation.

Other Matters

We applied certain limited procedures to the required supplementary information, as listed in the table of contents, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the other supplemental information, as listed in the table of contents, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Board of Trustees of the
Upper Peninsula Region of Library Cooperation, Inc.

Restriction on Use

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

Very truly yours,

Anderson, Tackman & Company, PLLC
Certified Public Accountants

ATTACHMENT – UPCOMING GASB STANDARDS

For the Year Ended September 30, 2025

The Governmental Accounting Standards Board (the Board) routinely issues pronouncements to enhance accounting and financial reporting. Below are synopses of currently issued standards that may be applicable to the Cooperation in the future. More information related to these standards can be found at www.gasb.org including full copies of the standards along with implementation guides and technical bulletins. We encourage management to review the following pronouncements to determine which standard(s) may be applicable to the Cooperation.

GASB 103: Financial Reporting Model Improvements

Effective for fiscal years beginning after June 15, 2025 (Cooperation's fiscal year 2026)

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. The Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed and avoid "boilerplate" discussions. The requirements for MD&A will improve the quality of the analysis of changes from the prior year, which will enhance the relevance of that information. They also will provide clarity regarding what information should be presented in MD&A.

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows. The requirements for the separate presentation of unusual or infrequent items will provide clarity regarding which items should be reported separately from other inflows and outflows of resources.

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses. In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses. The definitions of operating revenues and expenses and of nonoperating revenues and expenses will replace accounting policies that vary from government to government, thereby improving comparability. The addition of a subtotal for operating income (loss) and noncapital subsidies will improve the relevance of information provided in the proprietary fund statement of revenues, expenses, and changes in fund net position.

This Statement requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements. The requirement for presentation of major component unit information will improve comparability.

This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI. The requirement that budgetary comparison information be presented as RSI will improve comparability, and the inclusion of the specified variances and the explanations of significant variances will provide more useful information for making decisions and assessing accountability.

We expect this standard to have a significant effect on the presentation of the Cooperation's financial statements.

GASB 104: Disclosure of Certain Capital Assets

Effective for fiscal years beginning after June 15, 2025 (Cooperation's fiscal year 2026)

The objective of this Statement is to provide detailed information about capital assets in notes to financial statements by requiring certain capital assets to be presented by major class. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale.

We expect this standard to have a significant effect on the presentation of the Cooperation's financial statements.

GASB 105: Subsequent Events

Effective for fiscal years beginning after June 15, 2026 (Cooperation's fiscal year 2027)

The objective of this Statement is to improve the financial reporting requirements for subsequent to better meet the informational needs of the financial statement users by enhancing consistency in the application of subsequent events.

Under this Statement, a subsequent event is defined as a transaction or event that occurs after the date of the financial statements but before the date the financial statements are available to be issued. This statement improves financial reporting by (1) clarifying the subsequent event time frame and the subsequent events that constitute recognized and nonrecognized events and (2) specifying the information items that are required to be disclosed about subsequent events.

We do not expect this standard to have a significant effect on the presentation of the Cooperation's financial statements.

Upper Peninsula Region of Library Cooperation, Inc.

1615 Presque Isle Avenue
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(906) 228-7697

Corrective Action Plan
For the Year Ended September 30, 2025

March 26, 2026

In response to the findings disclosed in the audited financial statements for the year ended September 30, 2025:

2025-001 SEGREGATION OF DUTIES (REPEAT)

Corrective Action Plan:

The Cooperation is aware of this deficiency and believes smaller organizations, due to limited resources, are generally more sensitive to the cost of implementing these design controls and often have compensating controls to partially mitigate this deficiency. The Cooperation's Board of Trustees closely monitors all payments and reviews the financial statements on a monthly basis. We do not foresee the need for any changes to this procedure at this time.