

IFLS LIBRARY SYSTEM
BOARD OF TRUSTEES

MEETING LOCATION:

IFLS Library System
1538 Truax Blvd., Eau Claire, WI 54703
(715) 839-5082
www.ifls.lib.wi.us

DATE/TIME:

Wednesday
May 22, 2019
12:30 pm

**IF YOU ARE UNABLE TO ATTEND THE MEETING, CONTACT THE IFLS OFFICE
(1-800-321-5427) BY 4 P.M. THE DAY BEFORE THE SCHEDULED MEETING.**

A G E N D A

- I. Call to Order
- II. Establish a Quorum
- III. Certification of Compliance with the Open Meeting Law
- IV. * Approve Agenda
- V. Public Comments *(Each person who wishes to speak is limited to no more than five minutes. There is a ten minute limit per topic and a twenty minute limit at any meeting for Public Comments. Contact IFLS office for additional information related to Public Comments.)*
- VI. Announcements/Correspondence/Introductions
- VII. * Minutes - Approve: Board of Trustees–March 27, 2019 **#018(19)**
- VIII. * Financials-Approve: Check Registers–March/April 2019 **#020(19)**
Approve: Financial Reports–March/April 2019 **#021(19)**
- IX. **12:45 pm** * 2018 Audit Report and Presentation **#022(19)**
(Print copy of Audit will be provided at meeting for those requesting it.)
- X. Director's Report - Agenda Items & Monthly Activities **#023(19)**
- XI. * Compliance with System Membership Update
- XII. * Report from IFLS Personnel Committee
- XIII. System Redesign Update – John Thompson
- XIV. * July Board Meeting Location
- XV. Reports
-IFLS Staff Reports **#024(19)**
-Board Member Reports
- XVI. * Adjournment

** Denotes Action Items*

The IFLS Library System will attempt to provide reasonable accommodations to the public who wish to attend meetings, provided reasonable notice of need is given. To request such accommodation contact the System Office at (715) 839-5082.

IFLS LIBRARY SYSTEM
Board of Trustees
March 27, 2019

MINUTES

The Board of Trustees of the IFLS Library System met on Wednesday, March 27, 2019 at IFLS Library System, 1538 Truax Blvd., Eau Claire, Wisconsin. Norman called the meeting to order at 12:38 pm.

**QUORUM AND CERTIFICATION OF COMPLIANCE
WITH OPEN MEETINGS LAW:**

Joanne Gardner established that a quorum was present and certified that the meeting had been properly noticed in compliance with the open meeting law.

BOARD MEMBERS PRESENT:

Judy Achterhof (St Croix County); **Mary Ellen Brue** (St. Croix County); **Jan Daus** (Eau Claire County); **Pat Eggert** (Dunn County); **Bun Hanson** (Barron County); **Dave Hardin** (St. Croix County); **Marilyn Holte** (Chippewa County); **Chuck Hull** (Chippewa County); **Mildred Larson** (Eau Claire County); **Lyle Lieftring** (Rusk County); **Susan Marshall** (Price County); **Robert Mercord** (Pierce County); **Mike Norman** (Pierce County); **Jackie Pavelski** (Eau Claire County); **Mike Prichard** (Polk County); **Linda Stelter** (Resource Library).

BOARD MEMBERS ABSENT:

Anne Anderson (Pepin County); **Sue Duerkop** (Polk County); **Linda Thompson** (Barron County); **Jim Tripp** (Dunn County).

OTHERS PRESENT:

John Thompson (Director); **Juli Button** (Business Manager); **Joanne Gardner** (Administrative Associate/Recorder); **Lori Roholt** (MORE Administrator).

APPROVE AGENDA:

MOTION #06⁽¹⁹⁾: To approve the Agenda as presented. Mercord/Hanson
RESULT: Carried.

PUBLIC COMMENTS:

There were no public comments.

ANNOUNCEMENTS/CORRESPONDENCE/INTRODUCTIONS:

There were no announcements or correspondence.

MINUTES:

MOTION #07⁽¹⁹⁾: To approve the Board of Trustees minutes dated January 23, 2019 (Doc. #008-19). Prichard/Marshall
RESULT: Carried.

FINANCIALS:

MOTION #08⁽¹⁹⁾: To approve the Check Registers for January-February 2019 (Doc. #009-19). Daus/Holte
RESULT: Carried.

Questions were asked about ALA Memberships, Survey Monkey subscription, early maintenance costs for MORE software and products, billables to MORE libraries, movie licenses and pass-through expenses.

MOTION #09⁽¹⁹⁾: To approve the Financial Reports for December 2018 (Doc. #010-19) and January-February 2019 (Doc. #011-19). Holte/Brue
RESULT: Carried.

A question was asked about what was included in payroll expenses.

Button explained the year-end 2018 Financial Reports. Page 13 shows the Total Equity at the end of 2018 and also includes the 2017 total for comparison. Page 14 shows the breakdown of funds in Reserves. For 2018, revenues less expenses, IFLS gained \$96,000. This amount is added to the carryover and will be re-budgeted in June/July of this year. Page 17 compares expenses to the budget and you can see where the \$96,000 of additional monies were from. The 2018 budget was created to overspend by \$85,000, but instead gained \$96,000.

MORE's balance sheet and revenue/expense sheets are always included with the financials approved by the board. MORE determines their budget in May.

**IFLS INVESTMENT REPORT AND
REVIEW OF INVESTMENT POLICY:**

MOTION #10⁽¹⁹⁾: To approve the IFLS Investment Report and Review of Investment Policy. Daus/Brue
RESULT: Carried.

Button noted that IFLS has funds in two locations; the Select Investor Account with Associated Bank and the Pooled Investment Fund (PIF). Associated Bank has provided an arrangement to exceed the PIF interest by .3 percentage. All funds are in the Select Investor Account except for about \$100,000 in the PIF.

Button looked at 6-month CD rates; they are close to the Select Investor Account in interest rate. The Select Investor Account interest rate adjusts, and the funds are not locked up.

Pavelski inquired if there were proposed changes to the Investment Policy. Button respond that no changes are suggested. The policy on allowable investments must conform to state statutes so the investment options are very limited. Principle cannot be risked in any way.

With most of the funds at Associated Bank, IFLS carries a letter of collateral for the funds in IFLS accounts as required by the auditor. Brue thanked Button for staying on top of investments and patience with questions from board members on the financials of IFLS.

DIRECTOR'S REPORT OF AGENDA ITEMS AND MONTHLY ACTIVITIES:

Thompson and Button spent most of February dealing with annual reports from member libraries and IFLS. All reports were sent electronically to the Division by the deadline. One library missed our review and signed report deadline but did complete in time for us to submit it by the deadline. Thompson noted that Button did a tremendous job working with the libraries when reviewing their reports.

IFLS staff did not attend Library Legislative Day due to the snow storm and weather conditions.

Thompson found out last night that Joint Finance will be meeting in River Falls on April 15th. Library supporters are encouraged to attend and make a presentation. Thompson will send information as it becomes available. Some talking points will be created for library specific issues.

There are currently three library director openings. Elmwood and Osceola have posted the positions. Osceola has interviewed the first round of candidates. New Richmond has not posted the position yet. Brue noted that New Richmond was planning to hire a firm to do the work for them in hiring a director.

IFLS ANNUAL REPORT AND STATEMENT OF COMPLIANCE:

MOTION #11⁽¹⁹⁾: To approve the IFLS Annual Report and Statement of Compliance (Doc. #014-19). Hanson/Daus
RESULT: Carried.

The System Annual Report and Statement of Compliance is similar to what member libraries must submit. The report includes a breakdown of the physical collection and electronic resources; listing of board members; sources of funding and revenues; how monies were spent; what services are provided; list of collaborations within the State; breakdown of program expenditures; membership compliance; and information on staffing.

MEMBER LIBRARY COMPLIANCE ISSUES:

Thompson noted that the board does not have any compliance issues to act on today. Elmwood marked noncompliance with system membership requirements due to them lacking a library director. The position has been posted. They are actively looking for a director so technically they are complying. The outgoing director in Elmwood completed their annual

report. That director and the board president chose not to mark that box. If the situation hasn't been resolved by the next board meeting, Thompson will file a formal compliance plan with the state.

SYSTEM EFFECTIVENESS STATEMENTS FROM MEMBER LIBRARIES:

IFLS did not receive any "no" checks for providing effective system leadership for 2018. The comments shared by member libraries are included in the meeting packet.

Each library, as part of their annual report filing, is required to indicate whether the system provided leadership and met the needs of the library.

PUBLIC LIBRARY SYSTEM REDESIGN (PLSR) UPDATE:

In theory, Thompson has completed his role as Steering Committee Chair for the Public Library System Redesign (PLSR) process. They still want Thompson to go to COLAND (Council on Library and Network Development) meeting in May to speak to the final report which was handed off to COLAND. COLAND has chosen to hold four listening sessions. The closest will be at the Rusk County Community Library in Ladysmith on March 28, 2019 at 6:00 pm.

The next step will be for COLAND to plan the future implementation of ideas that will further support and strengthen programs, services, and resources that Wisconsin's public libraries provide to their patrons.

(Break from 1:50 – 2:01 pm)

(Hanson left at 1:53 pm.)

MORE START-UP COSTS FOR CHIPPEWA VALLEY TECHNICAL COLLEGE LIBRARY:

Lori Roholt, MORE Administrator was present to speak to the start-up costs for Chippewa Valley Technical College (CVTC) Library re-joining MORE.

A couple months ago, Roholt was contacted by Vince Mussehl with an expressed interest in the library re-joining MORE. CVTC was an original MORE-member library but left the consortium in 2006 to join a consortium of technical colleges. To help discussions proceed, the CVTC library needs to know the start-up costs involved to join MORE. CVTC is looking to expand services to their students and streamline access to resources. They also have some unique resources to share.

Per the Appendix A of the MORE Participation Agreement for start up fees for membership, a library is charged \$4,500 per access point. The Appendix also states: The start-up fee may be subject to change as determined by the IFLS Board.

CVTC has a total of 26 access points which would amount to \$117,000 for start-up costs based on how access points are counted. The formula for counting access points is not a great fit for this type of library.

Roholt would propose not including student-use computers in arriving at access points, but instead charge for 9 access points for a total start-up cost of \$40,500. Roholt would like this group to consider exercising authority to adjust the formula for CVTC and offer a one-time start-up cost of \$40,500. Concern was raised about setting a precedent with adjusting start-up costs. Thompson noted that the distinction here is that CVTC is a non-public library. The library setup in a college library differs from a public library.

It is not anticipated that other non-public libraries would be joining MORE. The remaining public libraries not on MORE are not anticipated to join either.

MOTION #12⁽¹⁹⁾: To approve a \$40,500 start-up fee for Chippewa Valley Technical College Library to re-join MORE. Daus/Lieffring
RESULT: Carried.

REPORTS:

STAFF REPORTS: Printed staff reports were provided in the meeting packet.

INDEPTH STAFF REPORT: Lori Roholt, MORE Administrator was present to provide an in-depth staff report. The beginning of the year, MORE staff provide numbers and statistics to libraries for their annual reports. May through July the MORE budget is created and approved.

There is an upcoming Innovative Users Group (IUG) conference which is held annually and put on by the software vendor – Innovative Interfaces. It is a valuable conference for staff at IFLS and provides an opportunity to interact with peers. MORE has historically sent IFLS staff and directors of member libraries to attend as well. This year Sue Christianson from Barron, Krissa Coleman from Roberts, and Joleen Sterk from Menomonie will attend at MORE's expense. Next year the IUG Conference will be held in Minneapolis. With the conference being that close, it affords several directors to attend one or all days of the conference.

Spring is also the time of year when colleague Kathy Setter coordinates a library supply order. This has been a big money-saver for libraries. This year 40 of our 53 libraries participated. Setter ordered, sorted, and distributed 15,000 items from 5 vendors which totaled approximately \$50,000.

One of the strongest functions of MORE administrative work available for libraries is on-spot help as needed. MORE keeps a reference documents online and tries to be as complete in options and processes that are used. Libraries primarily use the online help desk software to submit issues. MORE staff also receives and responds to email and phone calls. All staff work together well to jump in as available and qualified to assist with help desk tickets. The system has proved to be very useful. Since January 1, MORE staff have replied to 312 tickets and closed 232.

On March 15, MORE approved an Online Patron Registration Policy. Patrons can fill out the form online and get a barcode number for access for shared electronic resources. This includes Lynda, Transparent Languages, Flipster, etc. It is hoped to have the online form operational and in use by this summer for electronic resources. Achterhof is interested to know how well received this will be. Roholt noted that it is not clear yet the volume of interest this will generate. Funding for electronic resources is included in the MORE budget and based on the total cost of licenses.

BOARD REPORTS:

Larson thanked the board for allowing CVTC to join MORE.

Brue noted a genealogy workshop was held on the last Saturday in April on Census Records in Baldwin.

Holte thanked Thompson for his input and assistance with the Chippewa County Library Planning.

Thompson noted that L.E. Phillips Memorial Public Library in Eau Claire hosted the Governor to talk about the hiring of a Social Worker and Early Literacy Librarian. The visit included a small roundtable conversation. The Secretary of Human Services talked about homelessness and poverty. Stelter noted that two City Council members approached the library to hire these staff. It was then added as part of the budget amendment by the City of Eau Claire. This is the first library in the State to have a Social Worker right in the library. Library staff benefit greatly that situations are handled timely and appropriately. The Outreach Librarian will be going out and working with young children in daycares and preschools. Both positions hired local people who have connections already.

ADJOURNMENT:

Motion to adjourn at 2:55 pm. Mercord/Daus

Joanne Gardner, Recorder/Administrative Associate

These minutes of the Board of Trustees are approved:

☐ as printed.

☐ with corrections noted.

Presiding Officer

Dated

IFLS Library System
Check Register
April 2019

#020(19)

| Date | Num | Name | Memo | Amount |
|---------------|----------|---------------------------------------|-----------------------------------|------------|
| Apr 19 | | | | |
| 04/01/2019 | Auto Pay | Eau Claire, City of | Qtrly Water & Sewer Svc | -306.28 |
| 04/01/2019 | Auto Pay | Delta Dental | Apr Dental | -780.22 |
| 04/10/2019 | Auto Pay | CenturyLink | IFLS/MORE Mar Long Dist | -230.62 |
| 04/10/2019 | Auto Pay | Kwik Trip, Inc. | Mar Gas | -12.23 |
| 04/17/2019 | Auto Pay | Xcel Energy | Mar Gas & Electric Svc | -473.10 |
| 04/24/2019 | Auto Pay | Employee Trust Funds, Dept of | May Health Ins. | -18,053.04 |
| 04/25/2019 | Auto Pay | Chase Card Services (Credit Card) | Mar Credit Card *see attached | -19,705.48 |
| 04/03/2019 | WIRE | Internal Revenue Service | P/R #7 | -6,142.18 |
| 04/10/2019 | WIRE | Wisconsin Deferred Comp. Program | P/R #8 | -1,150.00 |
| 04/15/2019 | WIRE | Wisconsin Department of Revenue | P/R #7 | -1,261.00 |
| 04/17/2019 | WIRE | Internal Revenue Service | P/R #8 | -6,166.28 |
| 04/24/2019 | WIRE | Wisconsin Deferred Comp. Program | P/R #9 | -1,150.00 |
| 04/30/2019 | WIRE | Wisconsin Department of Revenue | P/R #8 | -1,267.00 |
| 04/30/2019 | WIRE | Wisconsin Retirement System | Mar WRF | -7,028.14 |
| 04/09/2019 | 41039 | Altoona Public Lib | MORE/Ecomm thru Mar | -1,028.31 |
| 04/09/2019 | 41040 | CA Friday Memorial Library | MORE/Ecomm thru Feb | -1,391.82 |
| 04/09/2019 | 41041 | L.E. Phillips Memorial Public Library | MORE/Ecomm thru Mar | -1,665.92 |
| 04/09/2019 | 41042 | Menomonie Public Library | MORE/Ecomm thru Feb | -1,055.31 |
| 04/09/2019 | 41043 | River Falls Public Lib | MORE/Ecomm thru Mar | -1,369.30 |
| 04/09/2019 | 41044 | Bayscan Technologies | Billable/Supplies for Libraries | -6,646.15 |
| 04/09/2019 | 41045 | CCI Solutions | Billable/Supplies for Libraries | -2,261.90 |
| 04/09/2019 | 41046 | DEMCO, Inc. | Billable/Supplies for Libraries | -26,257.91 |
| 04/09/2019 | 41047 | Showcases | Billable/Supplies for Libraries | -2,928.13 |
| 04/09/2019 | 41048 | Achterhof, Judy | Board Mileage | -59.67 |
| 04/09/2019 | 41049 | Brue, Mary Ellen | Board Mileage | -46.92 |
| 04/09/2019 | 41050 | Eggert, Pat | Board Mileage | -22.44 |
| 04/09/2019 | 41051 | Hardin, David | Board Mileage | -66.30 |
| 04/09/2019 | 41052 | Holte, Marilyn | Board Mileage | -15.30 |
| 04/09/2019 | 41053 | Hull, Chuck | Board Mileage | -13.26 |
| 04/09/2019 | 41054 | Lieffring, Lyle | Board Mileage | -57.12 |
| 04/09/2019 | 41055 | Mecord, Robert | Board Mileage | -73.44 |
| 04/09/2019 | 41056 | Norman, Michael | Board Mileage | -63.24 |
| 04/09/2019 | 41057 | Chippewa Valley Technical Coll | Meeting Site for MORE Mtg/re snow | -100.00 |
| 04/09/2019 | 41058 | L.E. Phillips Memorial Public Library | 1st Qtr Contract | -5,750.00 |
| 04/09/2019 | 41059 | PermaCard | Billable/Library Cards | -2,234.36 |
| 04/09/2019 | 41060 | Securian Financial Group, Inc. | May Life Insurance | -334.57 |
| 04/09/2019 | 41061 | Service First | Plumbing Repairs | -156.78 |
| 04/09/2019 | 41062 | Thompson, John | Library Visits 3/14-4/9 | -358.02 |
| 04/09/2019 | 41063 | WILS | Rec Books Transparent Lang/1 yr | -2,779.00 |
| 04/09/2019 | 41064 | Wisconsin Literacy, Inc. | Billable/Plain Language Webinar | -300.00 |
| 04/09/2019 | 41065 | Iron Mountain Intellectual Prop Mgt | MORE/Annual Software Insurance | -315.00 |
| 04/09/2019 | 41066 | L.E. Phillips Memorial Public Library | MORE/1st Qtr High Demand Items | -4,910.23 |
| 04/09/2019 | 41067 | Library Ideas | MORE/Mar Freeding Usage | -783.00 |

IFLS Library System
Check Register
April 2019

| <u>Date</u> | <u>Num</u> | <u>Name</u> | <u>Memo</u> | <u>Amount</u> |
|---------------------|-------------|-------------------------------|----------------------------------|---------------------------|
| 04/09/2019 | 41068 | Marcive, Inc. | MORE/Mar Database Maint. | -143.32 |
| 04/09/2019 | 41069 | OverDrive, Inc. | MORE/OverDrive Titles | -2,250.78 |
| 04/10/2019 | 41070-41085 | IFLS Staff | P/R #8 Net | -19,046.22 |
| 04/23/2019 | 41085 | AT&T | IFLS/MORE Apr Local Phone Svc | -118.23 |
| 04/23/2019 | 41086 | Bayscan Technologies | Billable/Library Cards | -149.00 |
| 04/23/2019 | 41087 | Kilde, Rebecca | Lib Visit/PR | -34.20 |
| 04/23/2019 | 41088 | Langby, Leah | WLA Mtg & Wkshp Exps | -84.42 |
| 04/23/2019 | 41089 | Maug Cleaning Solutions, Inc. | 3/18 - 4/14 Cleaning Svc | -427.00 |
| 04/23/2019 | 41090 | Waltco Inc. | Apr Delivery Svc | -23,573.03 |
| 04/23/2019 | 41091 | WiLS | LSTA/BiblioBrd & Annual EContent | -119,345.05 |
| 04/23/2019 | 41092 | Winding Rivers Library System | Annual SRLAAW Fee/JT | -100.00 |
| 04/23/2019 | 41093 | Innovative Interfaces | MORE/2019 i-Tiva Agreement | -9,610.65 |
| 04/24/2019 | 41094-41108 | IFLS Staff | P/R #9 Net | -19,064.55 |
| Apr 19 TOTAL | | | | <u>-320,715.42</u> |

1:39 PM

05/09/19

Accrual Basis

IFLS Library System

Credit Card Transaction Detail Report

Electronic Auto Pay (04/25/2019)

| Date | Name | Memo | Num | Amount |
|---------------|------------------------|------------------------------------|-------------|------------------|
| Mar 19 | | | | |
| 03/04/2019 | UW-Extension | Board/Nomination Committee | Conf Call | 2.37 |
| 03/05/2019 | Brodart Co. | Billable/Supplies for Libraries | Lib Spls | 31.70 |
| 03/06/2019 | Festival Foods | Meeting Spls & Billable Pop | Spls | 22.71 |
| 03/07/2019 | Parking | COLAND Mtg/J Thompson | COLAND | 17.00 |
| 03/08/2019 | Quill Corporation | Copy Paper | 5695413 | 91.53 |
| 03/08/2019 | Quill Corporation | Billable/Lib Spls & Clean Spls | 5686421 | 399.02 |
| 03/08/2019 | Holiday Inn | COLAND Mtg/Hotel -will reimburse | COLAND | 82.00 |
| 03/11/2019 | American Airlines | MORE IUG Conf Flights/JC, KC, & JS | IUG Flights | 691.77 |
| 03/11/2019 | New Egg | Billable/Colfax Keyboard | Comp Equip | 39.02 |
| 03/13/2019 | Green Oasis | 2019 Irrigations System Maint. | Prepay '19 | 227.05 |
| 03/13/2019 | Quill Corporation | Supplies/Pkg Tape & Cleaning | 5796838 | 84.86 |
| 03/13/2019 | Quill Corporation | 1k Multipurpose Checks | Supplies | 123.99 |
| 03/14/2019 | Innovative Users Group | MORE/IUG Conf Reg/SC, KC, & JS | Conf Reg | 975.00 |
| 03/15/2019 | Boxx Sanitation | Apr Garbage Svc | 171764 | 29.00 |
| 03/15/2019 | Menards | Bldg Spls/Ice Melt | Spls | 9.99 |
| 03/15/2019 | CDW-G | Billable/Roberts Backup Drive | Comp Equip | 56.18 |
| 03/15/2019 | CDW-G | Billable/Bloomer 3 Chromebooks | Comp Equip | 657.00 |
| 03/18/2019 | May's | Billable/Staff Fund | Staff Fund | 40.04 |
| 03/19/2019 | WLA | WLA Membership/M Welch | Membership | 192.00 |
| 03/19/2019 | WLA | WAPL Conf Reg/M Welch | Conf Reg | 146.00 |
| 03/20/2019 | Quill Corporation | Misc Office Supplies | 5962688 | 57.05 |
| 03/20/2019 | Festival Foods | Board Meeting Treats | Brd Treats | 7.78 |
| 03/25/2019 | WLA | WAPL Conf Reg/R Kilde | Conf Reg | 164.00 |
| 03/25/2019 | CDW-G | Billable/Frederic Printer | Comp Equip | 235.11 |
| 03/25/2019 | CDW-G | Billable/Turtle Lk Comps | Comp Equip | 2,892.81 |
| 03/25/2019 | CDW-G | Billable/Menomonie Laptop | Comp Equip | 924.89 |
| 03/27/2019 | WLA | WAPL Conf Reg/Thompson | Conf Reg | 148.00 |
| 03/27/2019 | CDW-G | Billable/Plum City 6 Comps | Comp Equip | 6,677.18 |
| 03/28/2019 | Restaurants | PLSR Listening Session/JT & MW | PLSR Mtg | 14.54 |
| 03/29/2019 | Lowell Center | Power Up Conf/Langby Hotel/Prkg | Conf | 234.00 |
| 03/29/2019 | Restaurants | Power Up Conf/Langby Meals | Conf Meals | 30.91 |
| 03/31/2019 | USPS | Mar Postage | Mar Pstg | 26.07 |
| 03/31/2019 | CDW-G | Billable/Phillips Printer | Comp Equip | 223.49 |
| 03/31/2019 | Festival Foods | Billable/Pop | Spls | 15.34 |
| 03/31/2019 | CDW-G | Billable/Fairchild 4 Comps | Comp Equip | 3,857.08 |
| 03/31/2019 | PayPal Inc. | MORE Ecomm Fee/Annual | Annual Fee | 219.00 |
| 03/31/2019 | FlowRoute.com | Phone System/Mar Acct Fills | on Acct | 60.00 |
| Mar 19 | | | | 19,705.48 |

Indianhead Federated Library System
Balance Sheet
As of April 30, 2019

#021(19)

| | IFLS | MORE | 2019 TOTAL | 2018 TOTAL |
|--|---------------------|-------------------|---------------------|---------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Checking/Savings | | | | |
| 1010 · Bank Mutual - Ecomm Checking | 24,217.04 | | 24,217.04 | 25,808.47 |
| 1040 · Bank Mutual - Checking | 12,842.13 | | 12,842.13 | 304,724.30 |
| 1050/1106 · Investments/Bank Mutual & States PIF | 1,321,484.26 | 559,122.07 | 1,880,606.33 | 1,560,454.64 |
| Total Checking/Savings & Investments | 1,358,543.43 | 559,122.07 | 1,917,665.50 | 1,890,987.41 |
| Accounts Receivable | | | | |
| 1200 · Accounts Receivable | 72,228.88 | 0.00 | 72,228.88 | 46,515.97 |
| Total Accounts Receivable | 72,228.88 | 0.00 | 72,228.88 | 46,515.97 |
| Other Current Assets | | | | |
| 1110 · Petty Cash Funds | 75.00 | | 75.00 | 75.00 |
| 1150 · Prepaid Insurance | 3,051.86 | | 3,051.86 | 7,638.14 |
| Total Other Current Assets | 3,126.86 | 0.00 | 3,126.86 | 7,713.14 |
| TOTAL ASSETS | 1,433,899.17 | 559,122.07 | 1,993,021.24 | 1,945,216.52 |
| LIABILITIES & EQUITY | | | | |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts Payable | | | | |
| 2000 · Accounts Payable | 24,411.43 | 2,776.47 | 27,187.90 | 78,952.97 |
| 2010 · Credit Card - Visa | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Accounts Payable | 24,411.43 | 2,776.47 | 27,187.90 | 78,952.97 |
| Other Current Liabilities | | | | |
| 2100 · Payroll Liabilities | 7,440.08 | | 7,440.08 | 7,308.38 |
| 2201 · Accrued Payroll | 0.00 | | 0.00 | 0.00 |
| 2800 · Deferred Revenue | 0.00 | | 0.00 | 0.00 |
| Total Other Current Liabilities | 7,440.08 | 0.00 | 7,440.08 | 7,308.38 |
| Total Current Liabilities | 31,851.51 | 2,776.47 | 34,627.98 | 86,261.35 |
| Total Liabilities | 31,851.51 | 2,776.47 | 34,627.98 | 86,261.35 |
| Equity | | | | |
| 3000 · Equity/Reserves & Committed (Beginning of Year) | 432,645.00 | 244,500.00 | 677,145.00 | 707,433.00 |
| 3000 · Equity/Uncommitted Funds (Beginning of Year) | 90,014.18 | 133,259.07 | 223,273.25 | 160,757.42 |
| Current Year Income Less Expense | 879,388.48 | 178,586.53 | 1,057,975.01 | 990,764.75 |
| Total Equity (End of Year) | 1,402,047.66 | 556,345.60 | 1,958,393.26 | 1,858,955.17 |
| TOTAL LIABILITIES & EQUITY | 1,433,899.17 | 559,122.07 | 1,993,021.24 | 1,945,216.52 |

IFLS Library System

Revenue and Expense Statement

January through April 2019

| | Jan - Apr 19 | Jan - Apr 18 |
|--|--------------|--------------|
| Ordinary Income/Expense | | |
| Income | | |
| 5100 · Current Year State Aids | 1,200,056.00 | 1,162,585.00 |
| 5200 · Interest Income/General Funds | 16,629.13 | 9,022.84 |
| 5300 · Miscellaneous Income | 0.00 | 0.00 |
| Total Income | 1,216,685.13 | 1,171,607.84 |
| Expense | | |
| 6500 · Salaries/Wages | 165,344.05 | 171,010.92 |
| 6560 · Payroll Expenses | 85,591.96 | 68,878.44 |
| 8540 · Annual Audit | 1,085.00 | 560.00 |
| 8620 · Collection/Electronic Resources | 44,244.00 | 20,523.00 |
| 8630 · Wis Pub Lib Consortium Membshp | 5,605.00 | 6,370.00 |
| 8670 · Professional Memberships | 1,334.33 | 1,283.00 |
| 8690 · Librarian Workshops - General | 1,148.08 | 2,475.48 |
| 8700 · CE/Collaboration Projects | 100.00 | 100.00 |
| 8720 · IFLS Staff Dvlpmnt & Prof Mtgs | 1,486.62 | 2,272.34 |
| 8735 · Library Consulting Expenses | 300.00 | 252.00 |
| 8740 · Field Visits | 1,486.88 | 1,764.22 |
| 8741 · Field Visits - Tech Support | 0.00 | 287.64 |
| 8755 · Programming Kits | 150.63 | 439.96 |
| 8812 · ILL Fees & Verification Sources | 7,498.78 | 7,577.20 |
| 8850 · Delivery Service | 62,209.96 | 57,704.52 |
| 8855 · Collection Dev Grant-LEPhillips | 5,750.00 | 0.00 |
| 8864 · Wide-Area Network (WAN) | 3,685.00 | 5,970.00 |
| 8898 · LEAN WI/Shared Tech WVLS | 0.00 | -199.00 |
| 8950 · Campaign for Wisconsin Libs | 1,126.00 | 0.00 |
| 8971 · Web Development | 910.20 | 863.83 |
| 9010 · IFLS Committee Meetings | 1,228.89 | 1,687.24 |
| 9020 · Professional Materials | 966.42 | 1,115.19 |
| 9030 · Postage | 578.92 | 65.66 |
| 9050 · Telephone | 1,427.79 | 1,694.69 |
| 9060 · Supplies | 573.64 | 674.80 |
| 9080 · Printing | 1,166.00 | 57.85 |
| 9123 · Building Overhead Expenses | 7,238.57 | 6,353.26 |
| 9140 · Photocopier Costs | 1,006.44 | 979.65 |
| 9160 · Computers | 578.25 | 890.70 |
| 9190 · System Vehicle Expenses | 362.34 | 1,803.56 |
| 9220 · Insurance | 917.52 | 0.00 |
| 9240 · Contingency | 0.00 | 1,418.22 |
| 9241 · Credit Card Reward Program | 0.00 | 1,345.47 |
| Total Expense | 405,101.27 | 366,219.84 |
| Net Ordinary Income | 811,583.86 | 805,388.00 |

IFLS Library System
Revenue and Expense Statement
January through April 2019

| | <u>Jan - Apr 19</u> | <u>Jan - Apr 18</u> |
|---|----------------------------|--------------------------|
| Pass-thru Income/Expense | | |
| Pass-thru Income | | |
| 5620 · Shared Cataloging Svc Income | 71,651.00 | 66,356.50 |
| 5702 · Billable Project Income | <u>81,927.19</u> | <u>109,353.28</u> |
| Total Pass-thru Income | 153,578.19 | 175,709.78 |
| Pass-thru Expense | | |
| 8830 · Shared Cataloging Service | 3,298.57 | 4,376.18 |
| 8940 · Projects Billable to Libraries | 65,912.19 | 72,780.54 |
| 9976 · LSTA #17 - PLSR Syst Redesign 3 | 4,562.81 | 65,631.45 |
| 9977 · LSTA #17 - WPLC Biblioboard | <u>12,000.00</u> | <u>0.00</u> |
| Total Pass-thru Expense | <u>85,773.57</u> | <u>142,788.17</u> |
| Net Pass-thru Income | <u>67,804.62</u> | <u>32,921.61</u> |
| Year-to-date Income less Expense (IFLS Funds) | <u><u>879,388.48</u></u> | <u><u>838,309.61</u></u> |
| MORE Shared System Income less Expense | | |
| 5670 · MORE Shared System Income | 641,904.00 | 633,773.00 |
| 9500 · MORE Shared Automation Expenses | <u>463,317.47</u> | <u>481,317.86</u> |
| Year-to-date Income less Expense (MORE Funds) | <u><u>178,586.53</u></u> | <u><u>152,455.14</u></u> |
| Year-to-date Income less Expense (ALL Funds) | <u><u>1,057,975.01</u></u> | <u><u>990,764.75</u></u> |

IFLS Library System
Profit & Loss Budget vs. Actual
January through April 2019

| | TOTAL | | | |
|---|---------------------|---------------------|-------------------|---------------|
| | Jan - Apr 19 | Budget | \$ Over Budget | % of Budget |
| Ordinary Income/Expense | | | | |
| Income | | | | |
| 5100 · Current Year State Aids | 1,200,056.00 | 1,200,056.00 | 0.00 | 100.0% |
| 5200 · Interest Income/General Funds | 16,629.13 | 12,500.00 | 4,129.13 | 133.03% |
| 5263 · MORE Management Income | 0.00 | 10,000.00 | -10,000.00 | 0.0% |
| 5280 · Technology Income | 0.00 | 4,000.00 | -4,000.00 | 0.0% |
| 5300 · Miscellaneous Income | 0.00 | 500.00 | -500.00 | 0.0% |
| Total Income | 1,216,685.13 | 1,227,056.00 | -10,370.87 | 99.16% |
| Expense | | | | |
| 6500 · Salaries/Wages | 165,344.05 | 550,000.00 | -384,655.95 | 30.06% |
| 6560 · Payroll Expenses | 85,591.96 | 195,000.00 | -109,408.04 | 43.89% |
| 8070 · New Furnishings/Equipment <\$500 | 0.00 | 500.00 | -500.00 | 0.0% |
| 8530 · Bank Service Charges | 0.00 | 500.00 | -500.00 | 0.0% |
| 8540 · Annual Audit | 1,085.00 | 6,500.00 | -5,415.00 | 16.69% |
| 8620 · Collection/Electronic Resources | 44,244.00 | 44,320.00 | -76.00 | 99.83% |
| 8630 · Wis Pub Lib Consortium Membshp | 5,605.00 | 5,605.00 | 0.00 | 100.0% |
| 8670 · Professional Memberships | 1,334.33 | 3,000.00 | -1,665.67 | 44.48% |
| 8690 · Librarian Workshops - General | 1,148.08 | 6,500.00 | -5,351.92 | 17.66% |
| 8700 · CE/Collaboration Projects | 100.00 | 500.00 | -400.00 | 20.0% |
| 8702 · Crisis Prevention Training | 0.00 | 650.00 | -650.00 | 0.0% |
| 8710 · CE Grants - General | 0.00 | 2,400.00 | -2,400.00 | 0.0% |
| 8720 · IFLS Staff Dvlpmnt & Prof Mtgs | 1,486.62 | 12,000.00 | -10,513.38 | 12.39% |
| 8735 · Library Consulting Expenses | 300.00 | 600.00 | -300.00 | 50.0% |
| 8740 · Field Visits | 1,486.88 | 8,000.00 | -6,513.12 | 18.59% |
| 8755 · Programming Kits | 150.63 | 1,000.00 | -849.37 | 15.06% |
| 8812 · ILL Fees & Verification Sources | 7,498.78 | 8,600.00 | -1,101.22 | 87.2% |
| 8850 · Delivery Service | 62,209.96 | 280,000.00 | -217,790.04 | 22.22% |
| 8855 · Collection Dev Grant-LEPhillips | 5,750.00 | 23,000.00 | -17,250.00 | 25.0% |
| 8864 · Wide-Area Network (WAN) | 3,685.00 | 10,370.00 | -6,685.00 | 35.54% |
| 8890 · IFLS Contrib - MORE Operating | 0.00 | 85,177.00 | -85,177.00 | 0.0% |
| 8898 · LEAN WI/Shared Tech WVLS | 0.00 | 62,500.00 | -62,500.00 | 0.0% |
| 8950 · Campaign for Wisconsin Libs | 1,126.00 | 1,200.00 | -74.00 | 93.83% |
| 8971 · Web Development | 910.20 | 1,000.00 | -89.80 | 91.02% |
| 9010 · IFLS Committee Meetings | 1,228.89 | 5,150.00 | -3,921.11 | 23.86% |
| 9020 · Professional Materials | 966.42 | 1,550.00 | -583.58 | 62.35% |
| 9030 · Postage | 578.92 | 450.00 | 128.92 | 128.65% |
| 9050 · Telephone | 1,427.79 | 9,960.00 | -8,532.21 | 14.34% |
| 9060 · Supplies | 573.64 | 1,040.00 | -466.36 | 55.16% |
| 9080 · Printing | 1,166.00 | 1,844.00 | -678.00 | 63.23% |
| 9123 · Building Overhead Expenses | 7,238.57 | 25,125.00 | -17,886.43 | 28.81% |
| 9140 · Photocopier Costs | 1,006.44 | 2,460.00 | -1,453.56 | 40.91% |
| 9160 · Computers | 578.25 | 5,000.00 | -4,421.75 | 11.57% |

IFLS Library System
Profit & Loss Budget vs. Actual
January through April 2019

| | TOTAL | | | |
|--|---------------------|---------------------|---------------------|---------------|
| | Jan - Apr 19 | Budget | \$ Over Budget | % of Budget |
| 9190 · System Vehicle Expenses | 362.34 | 4,400.00 | -4,037.66 | 8.24% |
| 9220 · Insurance | 917.52 | 5,225.00 | -4,307.48 | 17.56% |
| 9240 · Contingency | 0.00 | 1,000.00 | -1,000.00 | 0.0% |
| 9245 · Capital Expenditures | 0.00 | 17,575.00 | -17,575.00 | 0.0% |
| Total Expense | 405,101.27 | 1,389,701.00 | -984,599.73 | 29.15% |
| Net Ordinary Income | 811,583.86 | -162,645.00 | 974,228.86 | |
| Pass-thru Income/Expense | | | | |
| Pass-thru Income | | | | |
| 5620 · Shared Cataloging Svc Income | 71,651.00 | 0.00 | 71,651.00 | n/a |
| 5702 · Billable Project Income | 81,927.19 | 0.00 | 81,927.19 | n/a |
| Total Pass-thru Income | 153,578.19 | 0.00 | 153,578.19 | n/a |
| Pass-thru Expense | | | | |
| 8830 · Shared Cataloging Service | 3,298.57 | 0.00 | 3,298.57 | n/a |
| 8940 · Projects Billable to Libraries | 65,912.19 | 0.00 | 65,912.19 | n/a |
| 9976 · LSTA #17 - PLSR Syst Redesign 3 | 4,562.81 | 0.00 | 4,562.81 | n/a |
| 9977 · LSTA #17 - WPLC Biblioboard | 12,000.00 | 0.00 | 12,000.00 | n/a |
| Total Pass-thru Expense | 85,773.57 | 0.00 | 85,773.57 | n/a |
| Net Pass-thru Income | 67,804.62 | 0.00 | 67,804.62 | |
| Net Year-to-date Income less Expense (IFLS Funds) | 879,388.48 | -162,645.00 | 1,042,033.48 | |
| MORE Shared System Income less Expense | | | | |
| 5670 · MORE Shared System Income | 641,904.00 | 727,080.00 | -85,176.00 | 88.29% |
| 9500 · MORE Shared Automation Expenses | 463,317.47 | 747,580.00 | -284,262.53 | 61.98% |
| Year-to-date Income less Expense (IFLS Funds) | 178,586.53 | -20,500.00 | 199,086.53 | |
| Year-to-date Income less Expense (IFLS Funds) | 1,057,975.01 | -183,145.00 | 1,241,120.01 | |

My Online Resource (MORE)
Balance Sheet
As of April 30, 2019

| | <u>MORE</u> |
|---|-----------------------------|
| ASSETS | |
| Current Assets | |
| 1105 · Investment Funds - MORE | \$ 559,122.07 |
| 1200-1 · Accts Receivable-MORE | - |
| 1503-1 · 2018 Prepaid Expense-MORE | - |
| | <u> </u> |
| TOTAL ASSETS | <u><u>\$ 559,122.07</u></u> |
| LIABILITIES & EQUITY | |
| Liabilities | |
| 2000-1 · Accounts Payable-MORE | 2,776.47 |
| | <u> </u> |
| Total Liabilities | 2,776.47 |
| Equity | |
| MORE Reserved Fund Balance on 1/1/2019 | 224,000.00 |
| MORE Committed Fund Balance on 1/1/2019 | 20,500.00 |
| MORE Uncommitted Fund Balance on 1/1/2019 | 133,259.07 |
| Current Year Income less Expense | 178,586.53 |
| Total Equity/MORE Fund Balance | <u>556,345.60</u> |
| TOTAL LIABILITIES & EQUITY | <u><u>\$ 559,122.07</u></u> |

Indianhead Federated Library System
Revenue less Expense - MORE
January through April 2019

| | Jan -Apr '19 | Jan - Apr '18 |
|---|-----------------------|-------------------|
| MORE Income/Expense | | |
| MORE Income | | |
| 5670 · MORE Shared System Income | | |
| 5670 · MORE Other Income | 0.00 | 0.00 |
| 5670-2 · MORE Operating Income | 641,904.00 | 633,773.00 |
| Total MORE Income | 641,904.00 | 633,773.00 |
| MORE Expense | | |
| 9500 · MORE Shared Automation Expenses | | |
| 9500-11 · MORE/IFLS Management Charges | 89,999.68 | 89,999.68 |
| 9500-12 · MORE/III Annual Maintenance | 120,151.63 | 120,955.01 |
| 9500-23 · MORE/System Upgrades/Software | 0.00 | 0.00 |
| 9500-19 · MORE/Contingency | 114.99 | 1,532.99 |
| 9500-22 · MORE/High-demand Hold Project | 3,061.24 | 0.00 |
| 9500-25 · MORE/Subscps/Lib Elf, Novelist , Covers | 12,126.00 | 11,791.00 |
| 9500-24 · MORE/Conferences | 3,485.61 | 5,164.23 |
| 9500-31 · MORE/New Products/Content Café Subs | 0.00 | 0.00 |
| 9500-31 · MORE/New Products/ | 0.00 | 0.00 |
| 9500-31 · MORE/New Products/I-tiva Setup | 0.00 | 0.00 |
| 9500-31 · MORE/Add'l III Products/Encore/Decision | 67,835.44 | 66,460.00 |
| 9500-32 · MORE/Mgmt Team Training | 100.00 | 50.00 |
| 9500-38 · MORE/Systemwide OCLC | 19,365.12 | 18,000.00 |
| 9500-40 · MORE/Overdrive Content | 12,413.06 | 7,270.29 |
| 9500-45 · MORE/Freading eBook Svc | 2,917.00 | 2,611.50 |
| 9500-46 · MORE/Electronic Periodicals | 15,000.00 | 9,757.60 |
| 9500-47 · MORE/Boopsie Setup/Subscription | 0.00 | 35,990.00 |
| 9500-48 · MORE/i-Tiva Telephony Subscription | 9,610.65 | 9,553.00 |
| 9500-49 · MORE/Data Scoping Project | 2,500.00 | 0.00 |
| 9500-5 · MORE/Publicity | 0.00 | 0.00 |
| 9500-6 · MORE/Database Cleanup/Maint | 2,897.00 | 2,390.56 |
| 9500-8 · MORE/Host Site Costs | 0.00 | 0.00 |
| 9500-41 · MORE/E-Content | 101,740.05 | 99,792.00 |
| Total 9500 · MORE Shared Automation Expenses | 463,317.47 | 481,317.86 |
| Total MORE Expense | 463,317.47 | 481,317.86 |
| Year-to-date MORE Income less Expense | 178,586.53 | 152,455.14 |
| Plus 12/31/18 MORE Uncommitted Fund Balance | 133,259.07 | |
| Plus 12/31/18 MORE Reserve/Committed Balance | 244,500.00 | |
| MORE Fund Balance | 556,345.60 | |

**INDIANHEAD FEDERATED
LIBRARY SYSTEM**

Eau Claire, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2018

INDIANHEAD FEDERATED LIBRARY SYSTEM

TABLE OF CONTENTS As of and for the Year Ended December 31, 2018

| | |
|---|---------|
| Independent Auditors' Report | i – ii |
| Management's Discussion and Analysis (Required Supplementary Information) | iii – x |
| Basic Financial Statements | |
| Government-Wide Financial Statements | |
| Statement of Net Position | 1 |
| Statement of Activities | 2 |
| Fund Financial Statements | |
| Balance Sheet – Governmental Fund | 3 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 4 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund | 5 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities | 6 |
| Notes to Financial Statements | 7 – 25 |
| Required Supplementary Information | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances – Budgets and Actual – General Fund | 26 |
| Schedule of Employer's Proportionate Share of the Net Pension Asset (Liability) – Wisconsin Retirement System (WRS) | 27 |
| Schedule of Employer Contributions – Wisconsin Retirement System (WRS) | 27 |
| Notes to Required Supplementary Information | 28 |
| Supplementary Information | |
| Schedule of Expenditures of Federal Awards | 29 |
| Schedule of Expenditures of State Awards | 30 |
| Notes to Schedules of Expenditures of Federal and State Awards | 31 |
| Other Auditors' Reports | |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 32 – 33 |
| Schedule of Findings and Responses | 34 |

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Indianhead Federated Library System
Eau Claire, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Indianhead Federated Library System, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Indianhead Federated Library System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the Indianhead Federated Library System's preparation and fair presentation of the financial statements 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 Indianhead Federated Library System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Indianhead Federated Library System as of December 31, 2018 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Indianhead Federated Library System's basic financial statements. The supplementary 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 supplementary 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 May 14, 2019 on our consideration of the Indianhead Federated Library System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Indianhead Federated Library System's internal control over financial reporting and compliance.



Eau Claire, Wisconsin
May 14, 2019

INDIANHEAD FEDERATED LIBRARY SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ending December 31, 2018

Management's Discussion and Analysis

This Management's Discussion and Analysis for the Indianhead Federated Library System (IFLS) financial performances provides an overview of IFLS' financial activities for the fiscal year January 1, 2018 to December 31, 2018.

Financial Highlights

- IFLS state aids increased \$37,471 or 3.3% for 2018.
- Total expenditures and transfers (excluding capital) from state aids and state aid carryover increased \$75,200 from \$1,129,884 to \$1,205,084 or 6.7%. Increases included Salaries and Fringes \$22,140, Field Visits \$449, IFLS Contribution to MORE \$38,248, Delivery Charges \$12,393 and the Long-Range Plan Meeting \$2,673. Significant decreases included Crisis Prevention Training \$13,300 and the Library Aspen Project that were one-time expenses in 2017.
- Total ordinary revenue increased \$60,022 from \$1,158,879 to \$1,218,901 or 5.2%. State aids increased \$37,471. Interest earned on idle funds increased 124%, up \$17,058. Tech revenue was up \$5,559 due to libraries purchasing more computers and computer equipment.
- Awarded one new Library Services and Technology Act Grant (LSTA) for \$24,000. And additional funds were awarded for the multi-year PLSR Project for a total of \$172,513. The grant year changed from the calendar year to April 1st to March 31st.
- Awarded a TEACH Training Grant for \$2,329.
- The Shared Cataloging and Processing Service is 100% billable to 5 libraries participating in 2018 – Roberts, Rice Lake, New Richmond, Amery and Menomonie.
- New in 2018, Cataloging Only Service (CABS) is also 100% billable to 11 libraries.
- In 2018, IFLS reported a \$143,054 WRS net pension asset compared to a \$39,439 net pension liability in 2017. This entry reflects the value of IFLS' portion of the Wisconsin Retirement Fund.

Using this report

This annual financial report consists of:
Management's Discussion and Analysis
Basic Financial Statements

- A. Government-Wide Financial Statements
- B. Fund Financial Statements
- C. Notes to Financial Statements

Required Supplementary Information

The basic financial statements include two kinds of statements that present different views of the System. The first two statements are government-wide financial statements that provide both long-term and short-term information about the System's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the System and report the System's operations in more detail than the government-wide statements. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

INDIANHEAD FEDERATED LIBRARY SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ending December 31, 2018

Using this report – Continued...

The statements are followed by required supplementary information that further explains and supports the information in the financial statements.

A. Government-Wide Financial Statements

The government wide financial statements are intended to provide readers with a broad overview of the System's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the System's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the System is improving or deteriorating.

The *statement of activities* presents information showing how the System's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flow.

All of the functions of the System are principally supported by intergovernmental revenues. These governmental activities are broadly described in Section 43.24(2), *Wisconsin Statutes*, and include the following:

- Written agreements with member libraries stating that they agree to provide the same services to any resident of the System area that they provide to local residents and to interlibrary loan materials to other libraries in the System.
- Backup reference, information and interlibrary loan services from the System resource library, L.E. Phillips Memorial Public Library, including the development of and access to specialized collections.
- Referral or routing of reference and interlibrary loan requests from libraries within the System to libraries within and outside the System.
- In-service training for participating public library personnel and trustees.
- Electronic delivery of information and physical delivery of library materials to participating libraries.
- Service agreements with all adjacent library Systems.
- Professional consultant services to participating public libraries.
- Promotion and facilitation of library service to users with special needs.
- Cooperation, planning, and agreements with other types of libraries in the System area for the appropriate sharing of library resources to benefit the clientele of all libraries in the System area.
- Planning with the Division of Public Instruction and with libraries in the area in regard to library technology and the sharing of resources.
- Any other service programs designed to meet the needs of participating public libraries and the residents of the System area. Other service programs offered by IFLS are Youth Services, Collection Development, Shared Cataloging with Processing, Contract Cataloging and Technology Services.

INDIANHEAD FEDERATED LIBRARY SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ending December 31, 2018

B. Fund Financial Statements

A fund (program) is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives of a program. IFLS, like other governmental agencies, uses fund accounting to ensure and demonstrate compliance with finances-related legal requirements. IFLS uses one fund that accounts for the System's three major areas: Ordinary Income/Expenditures, Other Income/Expenditures and MORE Income/Expenditures.

The 2018 Other Income/Expenditures Fund accounts for revenue and expenditures were for grants. The grant funds were for:

- WPLC BiblioBoard (LSTA #17-WPLC) – ebook recommendations platform
- System Redesign Project III (LSTA #17-PLSR) – ongoing PLSR contract with WILS
- TEACH Training Grant – Technology Days Workshop (19 libraries participated)

Also included is the Shared Cataloging/Processing service which began January 1, 2013. There were three participating libraries in 2013 and five in 2014 through 2018. The option of Contract Cataloging was added in 2018. Eleven libraries participated in 2018.

The MORE Income/Expenditures Fund accounts were for the revenue from new and continuing libraries participating in the MORE Shared Automated System.

C. Notes to Financial Statements

The notes provide additional information that is essential to an understanding the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 7-25 of the financial statements.

Financial Analysis of IFLS as a whole (Government-wide Analysis)

Net Position may serve over time as a useful indicator of IFLS' financial position. At the close of 2018, IFLS' net position totaled \$1,188,606, a decrease of \$12,193 or 1%.

The reported assets include IFLS' property, building, car, computers and related equipment, office furnishings and software. IFLS/MORE owes \$61,578 for multi-year licensing agreements. Capital assets are reported net of depreciation and debt. \$261,252 or 22% of IFLS' net position reflect its investment in its land, building, equipment and software. The remaining net position includes funds restricted for future MORE activities of \$377,759 and WRS pensions of \$143,054, and \$406,541 in unrestricted funds, which are available for other future spending.

INDIANHEAD FEDERATED LIBRARY SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ending December 31, 2018

Governmental activities are the only type of service provided by IFLS.

Statement of Net Position December 31, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| ASSETS | | |
| Current assets | \$ 1,912,515 | \$ 1,814,980 |
| Restricted - net pension | 143,054 | -0- |
| Capital assets | 322,830 | 388,421 |
| Total assets | <u>2,378,399</u> | <u>2,203,401</u> |
| DEFERRED OUTFLOWS OF RESOURCES | <u>259,416</u> | <u>301,572</u> |
| LIABILITIES | | |
| Current liabilities | 210,441 | 182,987 |
| Long-term liabilities | 54,469 | 121,875 |
| Total liabilities | <u>264,910</u> | <u>304,862</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>1,184,299</u> | <u>999,312</u> |
| NET POSTION | | |
| Invested in capital assets, net of related debt | 261,252 | 282,935 |
| Restricted – MORE | 377,759 | 348,845 |
| Restricted – pensions | 143,054 | -0- |
| Unrestricted | 406,541 | 569,019 |
| Total net position | <u>\$ 1,188,606</u> | <u>\$ 1,200,799</u> |

Net position decreased by \$12,193 from 2017 to 2018. The unrestricted funds were allocated towards reserve funds for anticipated future capital and operational budget needs and potential future funding cuts. Net of depreciation, capital assets decreased \$65,591 or 16.9%. Long-term liabilities and capital assets decreased due to some 3-year licensing agreements expiring and renewed for 1 year instead.

INDIANHEAD FEDERATED LIBRARY SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ending December 31, 2018

Change in Net Position For the Years Ended December 31, 2018 and 2017

| | 2018 | 2017 |
|-----------------------------------|---------------------|---------------------|
| Revenues | | |
| Program revenues: | | |
| Charges for services | | |
| MORE Shared System | \$ 633,773 | \$ 618,332 |
| IFLS billable services | 358,256 | 304,593 |
| Total charges for services | 992,029 | 922,925 |
| Grants and contributions | | |
| State aids | 1,162,585 | 1,125,114 |
| TEACH WI grant | 2,329 | -0- |
| LSTA grants | 196,513 | 166,524 |
| Total grants & contributions | 1,361,427 | 1,291,638 |
| General revenues: | | |
| Interest Income | 30,857 | 13,799 |
| Other | 5,119 | 5,185 |
| Total Revenues | 2,389,432 | 2,233,547 |
| Expenses | | |
| IFLS Library Services | 1,614,925 | 1,565,601 |
| MORE Shared System | 786,700 | 692,969 |
| Total Expenses | 2,401,625 | 2,258,570 |
| Change in net position | (12,193) | (25,023) |
| NET POSITION - Beg of Year | 1,200,799 | 1,225,822 |
| NET POSITION - END OF YEAR | \$ 1,188,606 | \$ 1,200,799 |

INDIANHEAD FEDERATED LIBRARY SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ending December 31, 2018

Fund Statements

REVENUES

State aids increased \$37,471 or 3.3% for 2018 at \$1,162,585. Additional revenues included interest on state aids, grants and miscellaneous funds. Funds transferred to MORE (MORE Subsidies) are no longer considered revenue to MORE. The MORE total operating budget charged to participating libraries increased 2.7%.

The MORE shared system became an IFLS service in 2005. In 2018, 51 MORE libraries paid \$633,773 for operating, startup and miscellaneous expenses and IFLS provided a subsidy for MORE operating expenses totaling \$82,696 for a total of \$716,469.

EXPENDITURES

2018 expenditures totaled \$2,357,204 up \$199,807 or 9.3% from the 2017 amount. Funds transferred to MORE (MORE Subsidies) are no longer considered an expense to IFLS.

Notable changes to Operating expenses include:

- Salaries and Fringe Benefit expenses increased \$22,140 or 3.5%. Since 2011, employees have been paying half of the required contribution for Wisconsin Retirement, in 2018 it was 6.7% of their wages. This amount is matched by IFLS funds.
- Payments to the Resource Library (Eau Claire) for collection development remained the same at \$23,000 in 2018.
- No payments for Sick leave or Unemployment Compensation were made in 2018. No retirements or payments are expected for 2019.
- IFLS Management costs paid by MORE libraries increased \$10,000 or 3.7% this is based on a formula that fluctuates with changes in IFLS state aids.
- Funds used for Conferences and Continuing Education for staff increased by \$658 or 6.7%, this includes staff attendance at state and national conferences and PLSR leadership and participation by many staff.
- New in 2018 were the CE Grants for librarians for \$1,930. Funds were used for WLA Conference Scholarships for 3 librarians.
- New in 2018 was the LEAN WI/Shared Technology collaboration project with Wisconsin Valley Library Service in Wausau for \$62,000. This line replaces many line items from 2017, Library Tech Projects, CINC Data Center, WISCNET Annual Costs, Tech Support Travel and Computer Software Subscriptions.
- New in 2018 was the IFLS Long Range Planning Meeting for \$2,673. A more elaborate planning process is used usually every other year.

INDIANHEAD FEDERATED LIBRARY SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ending December 31, 2018

- Programming kit costs increased \$289 for replacement parts; no new kits in 2018.
- Total Delivery costs increased \$12,393 or 5.1%:
 - In-system (Waltco) delivery costs increased \$13,669 or 6.1%
 - Cost of the Statewide delivery service increased \$466 or 2.9%.
 - Cost of supplies and damaged items decreased \$1,743; we purchase replacement plastic bins in 2017 but had a large increase in damaged items.
- The IFLS subsidy to MORE libraries was \$82,696 in 2018. This is a \$38,248 or 86.1% increase over 2017. In 2017 \$34,310 LSTA funds were used. There were no LSTA funds used for the MORE subsidy in 2018
- Building overhead expenses were \$18,196, an increase of \$1,313 or 7.8%. This was mainly due higher gas costs and additional lawncare costs. Trees and bushes were cut/trimmed.
- Capital expenses: In 2018, we purchased one air conditioning unit and purchased a standing desk for a new staff member for a total of \$3,129.

FUND BALANCE

\$377,759 has been Restricted for the MORE Consortium. \$224,000 of it is reserved for future MORE Projects, \$20,500 has been commitment to the 2019 MORE Budget to offset costs. \$133,259 will be reassigned for future MORE use.

\$432,645 has been assigned for IFLS future use, including the following purposes:

- \$65,000 for Building Repair
- \$10,000 for Shared System Startup Subsidies for new libraries joining MORE, a shared library automation system or to replace subsidies lost by Federal funding.
- \$50,000 for Shared Services Program with a possible building expansion
- \$25,000 for Vehicle Replacement
- \$40,000 for Personnel expenses including sick leave pay out for retiring employees and funding health care for additional employees or other personnel expenses or unemployment pay outs
- \$20,000 for replacement of Wide Area Network/Web Equipment
- \$20,000 for System Equipment and Furnishings including computer equipment, copier, printer and a phone system. At least three staff computers are replaced or upgraded annually from the operating budget.
- \$30,000 for Technology Projects and Billable Reserves
- \$10,000 for Computer Lab Equipment Replacement. There are 6 laptops and a wireless hub in the computer lab.
- \$162,645 for the 2019 Operating Budget deficit

\$61,251 were unassigned funds at the end of 2018. These funds will be moved to reserves or will be reassigned during 2019.

INDIANHEAD FEDERATED LIBRARY SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ending December 31, 2018

Economic Factors and Next Year's Budget and Rates

The state aids for 2018 increased slightly with a similar increase anticipated for 2019. This funding level is still less than our funding between 2008-2011. The increase was not an increase in our base funding but viewed as a targeted increase. Funding beyond 2019 may return to the 2017 base level.

State Aids Received:

| | |
|------|-------------|
| 2008 | \$1,209,417 |
| 2009 | \$1,257,792 |
| 2010 | \$1,211,470 |
| 2011 | \$1,250,125 |
| 2012 | \$1,125,114 |
| 2013 | \$1,125,114 |
| 2014 | \$1,125,114 |
| 2015 | \$1,125,114 |
| 2016 | \$1,125,114 |
| 2017 | \$1,125,114 |
| 2018 | \$1,162,585 |

The IFLS Director has been actively involved as the Chair of the Library System Redesign Steering Committee since the end of 2015. In 2018 this process introduced further refined preliminary service models that could result in changes in how services are provided. In the meantime, the library system continues to evaluate our existing services. One significant service impact has been the development of shared technology planning and service delivery with the Wisconsin Valley Library Service begun in 2017 with planning occurring during late 2018 to include Northern Waters Library Service in 2019. IFLS libraries will benefit greatly from this sharing of expertise.

In 2018, IFLS staff members in addition to the Director continued to be part of the System Redesign process. Staff served on several work groups until April 1, 2018 while the Director will continue as Chair of the Steering Committee until the report is submitted (anticipated Spring 2019). Phase IV of the process began in May 2018 with support of LSTA funds. Any potential budget savings from 2018 will be reallocated in 2019 for specific short-term fiscal impact projects since funding beyond 2019 is unknown at this time. State funding for 2019 was increased slightly with a statewide focus on lifelong learning/literacy; workforce development and broadband. Federal funding for LSTA remains uncertain for future years.

Contacting the System's Financial Management

This financial report is designed to provide a general overview of the System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director or Business Manager, Indianhead Federated Library System, 1538 Truax Blvd, Eau Claire, WI 54703. General information about the System and its programs or services can be found on the System's website at <http://www.iflweb.org>.

INDIANHEAD FEDERATED LIBRARY SYSTEM

STATEMENT OF NET POSITION As of December 31, 2018

ASSETS

Current

| | |
|----------------------|------------------|
| Cash and investments | \$ 1,870,443 |
| Accounts receivable | 12,946 |
| Prepaid items | 29,126 |
| Total Current Assets | <u>1,912,515</u> |

Noncurrent

| | |
|---|----------------|
| Restricted Assets | |
| Net pension asset | 143,054 |
| Capital Assets | |
| Land | 50,000 |
| Other capital assets, net of depreciation | 272,830 |
| Total Noncurrent Assets | <u>465,884</u> |

| | |
|--------------|------------------|
| Total Assets | <u>2,378,399</u> |
|--------------|------------------|

DEFERRED OUTFLOWS OF RESOURCES

| | |
|-------------------------|----------------|
| Pension related amounts | <u>259,416</u> |
|-------------------------|----------------|

LIABILITIES

Current

| | |
|--|----------------|
| Accounts payable | 73,911 |
| Accrued payroll and related liabilities | 38,144 |
| Current portion of licensing agreements | 51,487 |
| Current portion of other long-term obligations | 46,899 |
| Total Current Liabilities | <u>210,441</u> |

Noncurrent

| | |
|---|---------------|
| Noncurrent portion of licensing agreements | 10,091 |
| Noncurrent portion of other long-term obligations | 44,378 |
| Total Noncurrent Liabilities | <u>54,469</u> |

| | |
|-------------------|----------------|
| Total Liabilities | <u>264,910</u> |
|-------------------|----------------|

DEFERRED INFLOWS OF RESOURCES

| | |
|-------------------------------------|------------------|
| Pension related amounts | 284,257 |
| Unearned revenue | 900,042 |
| Total Deferred Inflows of Resources | <u>1,184,299</u> |

NET POSITION

| | |
|----------------------------------|----------------|
| Net investment in capital assets | 261,252 |
| Restricted for: | |
| MORE Consortium | 377,759 |
| Pensions | 143,054 |
| Unrestricted | <u>406,541</u> |

| | |
|--------------------|---------------------|
| TOTAL NET POSITION | <u>\$ 1,188,606</u> |
|--------------------|---------------------|

See accompanying notes to financial statements.

INDIANHEAD FEDERATED LIBRARY SYSTEM

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2018

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expenses) Revenue and Changes in Net Position</u> |
|-----------------------------------|---------------------|---------------------------------|---|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> | |
| Library services | \$ 1,614,925 | \$ 358,256 | \$ 1,361,427 | \$ - | \$ 104,758 |
| MORE | <u>786,700</u> | <u>633,773</u> | <u>-</u> | <u>-</u> | <u>(152,927)</u> |
| | <u>\$ 2,401,625</u> | <u>\$ 992,029</u> | <u>\$ 1,361,427</u> | <u>\$ -</u> | <u>(48,169)</u> |
| General Revenues | | | | | |
| Interest and investment earnings | | | | | 30,857 |
| Miscellaneous | | | | | <u>5,119</u> |
| Total General Revenues | | | | | <u>35,976</u> |
| Change in Net Position | | | | | (12,193) |
| NET POSITION - Beginning of Year | | | | | <u>1,200,799</u> |
| NET POSITION - END OF YEAR | | | | | <u>\$ 1,188,606</u> |

See accompanying notes to financial statements.

INDIANHEAD FEDERATED LIBRARY SYSTEM

BALANCE SHEET GOVERNMENTAL FUND As of December 31, 2018

| | General Fund |
|---|---------------------|
| ASSETS | |
| Cash and investments | \$ 1,870,443 |
| Accounts receivable | 12,946 |
| Prepaid items | 29,126 |
| TOTAL ASSETS | \$ 1,912,515 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | |
| Liabilities | |
| Accounts payable | \$ 73,911 |
| Accrued liabilities | 38,144 |
| Total Liabilities | 112,055 |
| Deferred Inflows of Resources | |
| Unearned revenue | 900,042 |
| Total Deferred Inflows of Resources | 900,042 |
| Fund Balances | |
| Nonspendable: | |
| Prepaid items | 28,763 |
| Restricted for: | |
| MORE consortium | 377,759 |
| Assigned | 432,645 |
| Unassigned | 61,251 |
| Total Fund Balances | 900,418 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | \$ 1,912,515 |

See accompanying notes to financial statements.

INDIANHEAD FEDERATED LIBRARY SYSTEM

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION As of December 31, 2018

| | | |
|--|----|---------|
| Total fund balances - governmental funds | \$ | 900,418 |
|--|----|---------|

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

Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Capital assets at year end consist of:

| | | | |
|---------------------------------------|----|------------------|---------|
| Capital assets | \$ | 802,496 | |
| Accumulated depreciation/amortization | | <u>(479,666)</u> | 322,830 |

| | |
|---|---------|
| The net pension asset does not relate to current financial resources and is not reported in the governmental funds. | 143,054 |
|---|---------|

| | |
|--|----------|
| Deferred outflows and deferred inflows of resources related to pensions do not relate to current financial resources and are not reported in the governmental funds. | (24,841) |
|--|----------|

Long-term liabilities, including bond and notes payable, are not due in the current period and, therefore, are not reported in the fund statements.

Long-term liabilities at year end consist of:

| | | |
|--------------------------|-----------------|------------------|
| Licensing agreements | (61,578) | |
| Vested employee benefits | <u>(91,277)</u> | <u>(152,855)</u> |

| | | |
|---|-----------|-------------------------|
| TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES | \$ | <u>1,188,606</u> |
|---|-----------|-------------------------|

INDIANHEAD FEDERATED LIBRARY SYSTEM

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUND For the Year Ended December 31, 2018

| | General Fund |
|------------------------------------|--------------------------|
| REVENUES | |
| Federal grants | \$ 196,513 |
| State library system aid | 1,162,585 |
| MORE consortium income | 633,773 |
| Shared cataloging service income | 128,905 |
| Investment income | 30,857 |
| Other income | 236,799 |
| Total Revenues | <u>2,389,432</u> |
| EXPENDITURES | |
| Administration | 144,651 |
| Pass-thru/Federal Grants | 196,513 |
| Billable/Cooperative purchases | 216,227 |
| Billable/Shared cataloging service | 129,067 |
| Consult/Continuing education | 109,914 |
| Delivery service | 288,766 |
| Library collection development | 27,471 |
| Library services to youth | 54,146 |
| MORE consortium | 687,555 |
| Public information | 43,140 |
| Reference/Interlibrary loan | 140,503 |
| Services to special users | 36,046 |
| Shared system | 50,161 |
| Technology | 233,044 |
| Total Expenditures | <u>2,357,204</u> |
| Net Change in Fund Balance | 32,228 |
| FUND BALANCE - Beginning of Year | <u>868,190</u> |
| FUND BALANCE - END OF YEAR | <u><u>\$ 900,418</u></u> |

See accompanying notes to financial statements.

INDIANHEAD FEDERATED LIBRARY SYSTEM

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2018

| | |
|--|-----------|
| Net change in fund balances - total governmental funds | \$ 32,228 |
|--|-----------|

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 these assets is allocated over their estimated useful lives and reported as depreciation expense. The following differs in its presentation:

| | |
|--|----------|
| Some items reported as operating expenditures in the fund statements are capitalized in the system-wide statements | 28,855 |
| Depreciation is reported in the system-wide statements | (72,613) |
| Loss on disposal of capital assets is not recorded in the fund statements | (21,833) |

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

| | |
|---|-----------------|
| Change in vested employee benefits | (6,191) |
| Change in licensing agreement | 43,908 |
| Change in net pension asset/liability (and pension related deferred outflows and deferred inflows of resources) | <u>(16,547)</u> |

| | |
|--|---------------------------|
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ (12,193)</u> |
|--|---------------------------|

See accompanying notes to financial statements.

INDIANHEAD FEDERATED LIBRARY SYSTEM

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

| NOTE | Page |
|--|------|
| I. Summary of Significant Accounting Policies | 7 |
| A. Reporting Entity | 7 |
| B. Government-Wide and Fund Financial Statements | 7 |
| C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation | 8 |
| D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity | 9 |
| 1. Deposits and Investments | 9 |
| 2. Receivables | 10 |
| 3. Prepaid Items | 10 |
| 4. Capital Assets | 10 |
| 5. Restricted Assets | 11 |
| 6. Deferred Outflows of Resources | 11 |
| 7. Compensated Absences | 11 |
| 8. Long-Term Obligations | 11 |
| 9. Deferred Inflows of Resources | 12 |
| 10. Equity Classifications | 12 |
| 11. Pension | 13 |
| II. Stewardship, Compliance, and Accountability | 13 |
| A. Excess Expenditures Over Appropriations | 13 |
| III. Detailed Notes on All Funds | 14 |
| A. Deposits and Investments | 14 |
| B. Receivables | 15 |
| C. Capital Assets | 15 |
| D. Long-Term Obligations | 17 |
| E. Governmental Activities Net Position/Fund Balances | 17 |
| IV. Other Information | 18 |
| A. Employees' Retirement System | 18 |
| B. Risk Management | 24 |
| C. Commitments and Contingencies | 24 |
| D. Shared Automation System | 25 |
| E. Effect of New Accounting Standards on Current-Period Financial Statements | 25 |

INDIANHEAD FEDERATED LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Indianhead Federated Library System conform to generally accepted accounting principles as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

Indianhead Federated Library System is organized as a Wisconsin Public Library System under Section 43.19 of the Wisconsin Statutes. The system provides delivery, resource sharing, consultation services, cataloging and processing services, and technology assistance to the libraries in its ten-county area. The system is governed by a twenty-member board of trustees appointed by member county boards. The reporting entity for the system is based upon criteria set forth by the Governmental Accounting Standards Board. All functions of the system for which it exercises oversight responsibility are included.

This report includes all the funds of the system. The reporting entity for the system consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The system has not identified any organizations that meet these criteria.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the system. All of the system's activities are reported as governmental activities. Governmental activities generally are financed through intergovernmental revenues and other non-exchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The system does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers, other libraries, or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures. Consistent with the requirement to maintain the minimum number of funds, the system accounts for all transactions in the general fund which is considered a major fund.

INDIANHEAD FEDERATED LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the system considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Intergovernmental aids and grants are recognized as revenues in the period the system is entitled the resources and the amounts are available. Amounts owed to the system which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include interest and charges for services that meet the availability criteria described above. All other general revenues are recognized when received in cash or when measurable and available under the criteria described above.

All Financial Statements

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, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

INDIANHEAD FEDERATED LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

Investment of system funds is restricted by Wisconsin state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, by the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

The system has adopted an investment policy. That policy follows state statutes for allowable investments. The policy addresses custodial credit risk and credit risk by stating that preservation of principal shall be the paramount objective and liquidity shall be maintained sufficient for the system to meet all disbursement requirements when due. Return on investments shall be maximized only to the extent that the first two objectives are met.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one days' notice. At December 31, 2018, the fair value of the system's share of the LGIP's assets was substantially equal to the system's share as reported in these statements.

See Note II.A. for further information.

INDIANHEAD FEDERATED LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables

General accounts receivable have been adjusted for all known uncollectible accounts. No allowance is necessary at year end.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the system as assets with an initial, individual cost of more than \$5,000 for general capital assets and \$20,000 for intangibles and an estimated useful life of one year or more. All capital assets are recorded at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Depreciation and amortization of exhaustible capital assets is reported in the statement of activities. Accumulated depreciation is reflected in the statement of net position. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| | |
|-------------------------|------------|
| Buildings | 50 years |
| Computers | 5 years |
| Vehicles | 5 years |
| Furniture and equipment | 5-10 years |
| MORE computer equipment | 5 years |
| Intangibles | 3-7 years |

Fund Financial Statements

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.

INDIANHEAD FEDERATED LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

5. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by external parties. Restricted assets have been reported in conjunction with the net pension asset since this balance must be used to fund employee benefits.

6. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

7. Compensated Absences

Indianhead Federated Library System allows all staff to earn twelve vacation days after one year of employment and one additional day per year through year fourteen to a total of twenty-five days. MLS staff hired after November 20, 1991 and before January 1, 2000, earns twenty vacation days after one year of employment and one additional day per year through year six to a total of twenty-five days.

Employees shall not accumulate more than the amount of vacation leave earned in 12 months employment. Upon retirement or termination of employment, employees have the option of receiving accrued vacation wages in a lump sum cash payment or through continued payroll checks.

Upon retirement from Indianhead Federated Library System, employees who meet the retirement requirements of the Wisconsin Retirement System (WRS) receive a pay-out of one-half of their accumulated sick leave. They can also use the pay-out to purchase health and/or dental insurance. Sick leave is valued at the employee's rate of pay at retirement. A maximum accumulation of 864 hours is allowed.

All vested vacation and sick leave pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2018 are determined on the basis of current salary rates and include salary related payments.

8. Long-Term Obligations

All long-term obligations to be repaid from system resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of licensing agreements and employee benefits.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements.

INDIANHEAD FEDERATED LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

10. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

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

Fund Statements

Governmental fund balances are displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (motion) of the Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Board that originally created the commitment.

INDIANHEAD FEDERATED LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications (cont.)

Fund Statements (cont.)

- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that do not meet the criteria to be classified as restricted or committed. The Board may take official action to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The system considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the system would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note III. E. for further information.

11. Pension

For purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE II – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES OVER APPROPRIATIONS

Budgeted expenditures in the general fund were \$2,223,736. Total expenditures were \$2,357,204. This results in excess expenditures of \$133,468. The expenditure excess was covered by additional revenues; budget of \$2,138,357 and actual revenues of \$2,389,432 for an excess of \$251,075 in 2018.

INDIANHEAD FEDERATED LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE III – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The system's deposits and investments at year end were comprised of the following:

| | Carrying Value | Bank Balance | Associated Risks |
|--------------------------------|---------------------|---------------------|-----------------------|
| Demand deposits | \$ 1,767,325 | \$ 1,748,449 | Custodial credit risk |
| LGIP | 103,043 | 103,043 | Credit risk |
| Petty cash | 75 | - | N/A |
| Total Deposits and Investments | <u>\$ 1,870,443</u> | <u>\$ 1,851,492</u> | |

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the entity is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual entities. This coverage has been considered in computing custodial credit risk.

The system maintains collateral agreements with its bank. At December 31, 2018, the bank had obtained a collateral confirmation in the amount of \$1,345,552 to secure the system's deposits.

Custodial Credit Risk

Deposits – Custodial credit risk is the risk that in the event of a financial institution failure, the system's deposits may not be returned to the system.

The system does not have any deposits exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The system had investments in the external Wisconsin Local Government Investment Pool which is not rated.

See Note I.D.I for further information on deposit and investment policies.

INDIANHEAD FEDERATED LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES

All receivables are expected to be collected in less than one year.

Governmental funds report *unavailable* or *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

| | <u>Unearned</u> |
|---------------------------------|-------------------|
| 2019 state aid received in 2018 | \$ 900,042 |
| Total Unearned Revenue | <u>\$ 900,042</u> |

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated/amortized | | | | |
| Land | \$ 50,000 | \$ - | \$ - | \$ 50,000 |
| Total Capital Assets | | | | |
| Not Being Depreciated/Amortized | <u>\$ 50,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 50,000</u> |

INDIANHEAD FEDERATED LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

C. CAPITAL ASSETS (cont.)

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--|----------------------|-------------|-----------|-------------------|
| Capital assets being depreciated/amortized | | | | |
| Buildings | \$ 360,356 | \$ - | \$ - | \$ 360,356 |
| Computers | 23,776 | - | - | 23,776 |
| MORE intangibles | 361,309 | 28,855 | 131,000 | 259,164 |
| Vehicles | 25,210 | - | - | 25,210 |
| Furniture and equipment | 15,430 | - | - | 15,430 |
| MORE computer equipment | 68,560 | - | - | 68,560 |
| Total Capital Assets | | | | |
| Being Depreciated/Amortized | 854,641 | 28,855 | 131,000 | 752,496 |
| Less: Accumulated depreciation/ amortization for | | | | |
| Buildings | (143,049) | (8,127) | - | (151,176) |
| Computers | (23,776) | - | - | (23,776) |
| MORE Intangibles | (245,325) | (61,428) | 109,167 | (197,586) |
| Vehicles | (23,109) | (2,101) | - | (25,210) |
| Furniture and equipment | (12,401) | (957) | - | (13,358) |
| MORE computer equipment | (68,560) | - | - | (68,560) |
| Total Accumulated Depreciation/Amortization | (516,220) | (72,613) | 109,167 | (479,666) |
| Capital Assets, Being Depreciated/Amortized Net of Depreciation/Amortization | \$ 338,421 | \$ (43,758) | \$ 21,833 | \$ 272,830 |

Depreciation/Amortization expense was charged to functions as follows:

| | |
|---|-----------|
| Library services | \$ 11,185 |
| MORE | 61,428 |
| Total Depreciation/Amortization Expense | \$ 72,613 |

INDIANHEAD FEDERATED LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

D. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2018 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|--------------------------------|----------------------|------------------|-------------------|-------------------|-----------------------------------|
| Licensing agreements | \$ 105,486 | \$ 28,855 | \$ 72,763 | \$ 61,578 | \$ 51,487 |
| Net pension liability | 39,439 | - | 39,439 | - | - |
| Vested employee benefits | 85,086 | 68,499 | 62,308 | 91,277 | 46,899 |
| Total Long-Term Liabilities | <u>\$ 230,011</u> | <u>\$ 97,354</u> | <u>\$ 174,510</u> | <u>\$ 152,855</u> | <u>\$ 98,386</u> |

Other Liabilities Information

The licensing agreements consist of three separate agreements. The first licensing agreement is a renewed 3-year noninterest bearing agreement. A final annual payment of \$38,950 is due in 2019. A second licensing agreement is a 3-year noninterest bearing agreement. A final annual payment of \$2,926 is due in 2019. And a third licensing agreement is a new 3-year noninterest bearing agreement. Annual payments of \$9,611 and \$10,091 are due in 2019 and 2020, respectively.

E. GOVERNMENTAL ACTIVITIES NET POSITION/FUND BALANCES

Governmental activities net position reported on the government-wide statement of net position at December 31, 2018 includes the following:

| | |
|---|---------------------|
| Net investment in capital assets | |
| Capital assets, net of accumulated depreciation | \$ 322,830 |
| Less: Related long-term debt outstanding | (61,578) |
| Total Net Investment in Capital Assets | <u>261,252</u> |
| Restricted for: | |
| MORE consortium | 377,759 |
| Pensions | 143,054 |
| Unrestricted | <u>406,541</u> |
| Total Governmental Activities Net Position | <u>\$ 1,188,606</u> |

INDIANHEAD FEDERATED LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE III – DETAILED NOTES ON ALL FUNDS (cont.)

E. GOVERNMENTAL ACTIVITIES NET POSITION/FUND BALANCES (cont.)

Governmental fund balances reported on the fund financial statements at December 31, 2018 include the following:

Assigned:

General Fund

| | | |
|--|----|-----------------------|
| Building | \$ | 65,000 |
| Shared system startup assistance/subsidy | | 10,000 |
| Shared services program/building expansion | | 50,000 |
| Vehicle replacement | | 25,000 |
| Personnel | | 40,000 |
| WAN/web equipment replacement | | 20,000 |
| System equipment/furnishing | | 20,000 |
| Computer lab replacement | | 10,000 |
| Tech projects/billable reserves | | 30,000 |
| 2019 budget | | <u>162,645</u> |
| Total | \$ | <u><u>432,645</u></u> |

NOTE IV – OTHER INFORMATION

A. EMPLOYEES RETIREMENT SYSTEM

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

INDIANHEAD FEDERATED LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES RETIREMENT SYSTEM (cont.)

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Post-retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

| Year | Core Fund Adjustment | Variable Fund Adjustment |
|------|----------------------|--------------------------|
| 2008 | 6.6% | 0% |
| 2009 | (2.1) | (42) |
| 2010 | (1.3) | 22 |
| 2011 | (1.2) | 11 |
| 2012 | (7.0) | (7) |
| 2013 | (9.6) | 9 |
| 2014 | 4.7 | 25 |
| 2015 | 2.0 | 2 |
| 2016 | 0.5 | (5) |
| 2017 | 2.0 | 4.0 |

INDIANHEAD FEDERATED LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES RETIREMENT SYSTEM (cont.)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for General category employees and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$48,982 in contributions from the system.

Contribution rates for the plan year reported as of December 31, 2018 are:

| Employee Category | Employee | Employer |
|--|----------|----------|
| General (Executives & Elected Officials) | 6.8% | 6.8% |
| Protective with Social Security | 6.8% | 10.6% |
| Protective without Social Security | 6.8% | 14.9% |

Pension Asset, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2018, the system reported an asset of \$143,054 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The system's proportion of the net pension asset was based on the system's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the system's proportion was 0.00481808%, which was an increase of 0.00003318% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2018, the system recognized pension expense of \$65,530.

INDIANHEAD FEDERATED LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES RETIREMENT SYSTEM (cont.)

At December 31, 2018, the system reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 181,754 | \$ 85,018 |
| Changes of actuarial assumptions | 28,264 | - |
| Net differences between projected and actual earnings on pension plan investments | - | 196,616 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | - | 2,623 |
| Employer contributions subsequent to the measurement date | 49,398 | - |
| Totals | <u>\$ 259,416</u> | <u>\$ 284,257</u> |

\$49,398 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset (liability) in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ended December 31: | Deferred Outflows of Resources and Deferred Inflows of Resources (net) |
|----------------------------|---|
| 2019 | \$ 14,228 |
| 2020 | (2,254) |
| 2021 | (49,328) |
| 2022 | (37,227) |
| 2023 | 342 |

INDIANHEAD FEDERATED LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|--------------------------------|
| Actuarial Valuation Date: | December 31, 2016 |
| Measurement Date of Net Pension Liability (Asset) | December 31, 2017 |
| Actuarial Cost Method: | Entry Age |
| Asset Valuation Method: | Fair Market Value |
| Long-Term Expected Rate of Return: | 7.2% |
| Discount Rate: | 7.2% |
| Salary Increases: | |
| Inflation | 3.2% |
| Seniority/Merit | 0.2% - 5.6% |
| Mortality: | Wisconsin 2012 Mortality Table |
| Post-retirement Adjustments*: | 2.1% |

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2016 using experience from 2012 – 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

INDIANHEAD FEDERATED LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES RETIREMENT SYSTEM (cont.)

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Core Fund Asset Class | Current Asset Allocation % | Long-Term Expected Nominal Rate of Return % | Long-Term Expected Real Rate of Return % |
|----------------------------------|----------------------------|---|--|
| Global Equities | 50% | 8.2% | 5.3% |
| Fixed Income | 24.5 | 4.2 | 1.4 |
| Inflation Sensitive Assets | 15.5 | 3.8 | 1.0 |
| Real Estate | 8 | 6.5 | 3.6 |
| Private Equity/Debt | 8 | 9.4 | 6.5 |
| Multi-Asset | 4 | 6.5 | 3.6 |
| Total Core Fund | 110 | 7.3 | 4.4 |
| <u>Variable Fund Asset Class</u> | | | |
| U.S Equities | 70 | 7.5 | 4.6 |
| International Equities | 30 | 7.8 | 4.9 |
| Total Variable Fund | 100 | 7.9 | 5.0 |

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

INDIANHEAD FEDERATED LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE IV – OTHER INFORMATION (cont.)

A. EMPLOYEES RETIREMENT SYSTEM (cont.)

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.31%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the system's proportionate share of the net pension asset (liability) to changes in the discount rate. The following presents the system's proportionate share of the net pension asset (liability) calculated using the discount rate of 7.20 percent, as well as what the system's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

| | 1% Decrease to Discount Rate (6.20%) | Current Discount Rate (7.20%) | 1% Increase to Discount Rate (8.20%) |
|---|--|----------------------------------|--|
| System's proportionate share of the net pension asset (liability) | (\$370,130) | \$143,054 | \$533,091 |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

At December 31, 2018, the system reported a payable to the pension plan which represents contractually required contributions outstanding as of the end of the year.

B. RISK MANAGEMENT

The Indianhead Federated Library System is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements as expenses when the related liabilities are incurred.

INDIANHEAD FEDERATED LIBRARY SYSTEM

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2018

NOTE IV – OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

From time to time, the system is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the system's financial position or results of operations.

The system has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

D. SHARED AUTOMATION SYSTEM

As of January 1, 2005, MORE is an IFLS service funded by charging participating libraries. Excess charges over expenditures are classified as reserved for future MORE expenditures.

Dissolution of MORE requires the approval of the IFLS Board and MORE member libraries; a minimum of one year's notice must be given. Additional provisions for the dissolution are detailed in the participation agreement which can be found on the system's website at:

<http://www.iflsweb.org/sites/default/files/more/administration/Participation%20Agreement.pdf>

E. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- > Statement No. 83, *Certain Asset Retirement Obligations*
- > Statement No. 84, *Fiduciary Activities*
- > Statement No. 87, *Leases*
- > Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*
- > Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- > Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

INDIANHEAD FEDERATED LIBRARY SYSTEM

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL GENERAL FUND

For the Year Ended December 31, 2018

| | Budgeted Amounts | | | Variance with |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Federal grants | \$ - | \$ - | \$ 196,513 | \$ 196,513 |
| State library system aid | 1,162,585 | 1,162,585 | 1,162,585 | - |
| MORE consortium income | 663,267 | 633,772 | 633,773 | 1 |
| Shared cataloging service income | 125,000 | 125,000 | 128,905 | 3,905 |
| Investment income | 5,000 | 25,000 | 30,857 | 5,857 |
| Other income | 191,200 | 192,000 | 236,799 | 44,799 |
| Total Revenues | <u>2,147,052</u> | <u>2,138,357</u> | <u>2,389,432</u> | <u>251,075</u> |
| EXPENDITURES | | | | |
| Administration | 171,892 | 167,680 | 144,651 | 23,029 |
| Pass-thru/Federal Grants | - | - | 196,513 | (196,513) |
| Billable/Cooperative purchases | 175,000 | 175,000 | 216,227 | (41,227) |
| Billable/Shared cataloging service | 125,000 | 125,000 | 129,067 | (4,067) |
| Consult/continuing education | 129,778 | 124,481 | 109,914 | 14,567 |
| Delivery service | 302,725 | 298,145 | 288,766 | 9,379 |
| Library collection development | 29,138 | 28,647 | 27,471 | 1,176 |
| Library services to youth | 58,271 | 57,789 | 54,146 | 3,643 |
| MORE consortium | 745,963 | 716,468 | 687,555 | 28,913 |
| Public information | 48,778 | 47,903 | 43,140 | 4,763 |
| Reference/Interlibrary loan | 146,492 | 146,227 | 140,503 | 5,724 |
| Services to special users | 39,140 | 38,655 | 36,046 | 2,609 |
| Shared system | 75,974 | 64,850 | 50,161 | 14,689 |
| Technology | 230,344 | 232,891 | 233,044 | (153) |
| Total Expenditures | <u>2,278,495</u> | <u>2,223,736</u> | <u>2,357,204</u> | <u>(133,468)</u> |
| Net Change in Fund Balance | (131,443) | (85,379) | 32,228 | 117,607 |
| FUND BALANCE - Beginning of Year | <u>868,190</u> | <u>868,190</u> | <u>868,190</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 736,747</u> | <u>\$ 782,811</u> | <u>\$ 900,418</u> | <u>\$ 117,607</u> |

See independent auditors' report and accompanying notes to
required supplementary information.

INDIANHEAD FEDERATED LIBRARY SYSTEM

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY) WISCONSIN RETIREMENT SYSTEM (WRS) For the Year Ended December 31, 2018

| WRS Fiscal Year End Date (Measurement Date) | System's Proportion of the Net Pension Asset (Liability) | System's Proportionate Share of the Net Pension Asset (Liability) | System's Covered Payroll | System's Proportionate Share of the Net Pension Asset (Liability) as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|--|--|---|--------------------------------|---|--|
| 12/30/17 | 0.00481808% | \$ 143,054 | \$ 720,332 | 19.86% | 102.93% |
| 12/31/16 | 0.00478490% | (39,439) | 705,537 | 5.59% | 99.12% |
| 12/31/15 | 0.00474189% | (77,055) | 670,901 | 11.49% | 98.20% |
| 12/31/14 | 0.00466494% | 114,584 | 665,296 | 17.22% | 102.74% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM (WRS) For the Year Ended December 31, 2018

| System's Fiscal Year End Date | Contractually Required Contributions | Contributions in Relation to the Contractually Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|----------------------------------|--|---|--|--------------------|---|
| 12/30/18 | \$ 49,398 | \$ 49,398 | \$ - | \$ 737,282 | 6.70% |
| 12/31/17 | 48,983 | 48,983 | - | 720,332 | 6.80% |
| 12/31/16 | 46,565 | 46,565 | - | 705,537 | 6.60% |
| 12/31/15 | 45,621 | 45,621 | - | 670,901 | 6.80% |

See accompanying notes to required supplementary information and independent auditors' report.

INDIANHEAD FEDERATED LIBRARY SYSTEM

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended December 31, 2018

Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I. C.

Budgetary expenditure control is exercised at the function level. Reported budget amounts are as amended by system board action.

Wisconsin Retirement System

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The system is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Changes in Benefit Terms. There were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes in Assumptions. There were no changes in assumptions.

SUPPLEMENTARY INFORMATION

INDIANHEAD FEDERATED LIBRARY SYSTEM

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2018

| Federal Grantor/Program Title | CFDA Number | Pass-Through Agency | Pass-Through Agency ID | Program or Award Amount | (Accrued)/ Deferred Beginning Balance | Cash Received | Expenditures | Accrued/ (Deferred) Ending Balance |
|--|----------------|------------------------|---------------------------|-------------------------------|--|-----------------------|-----------------------|---|
| <u>INSTITUTE OF MUSEUM & LIBRARY SERVICES</u> | | | | | | | | |
| Grants to States | 45.310 | WI DPI | N/A | | | | | |
| Project #17 - 251 PLSR Phase III (2017) | | | | \$ 150,000 | \$ (67,393) | \$ 67,393 | \$ - | \$ - |
| Project #17 - WPLC Biblioboard (2018) | | | | 24,000 | - | 24,000 | 24,000 | - |
| Project #17 - 251 PLSR Phase III (2018) | | | | <u>190,737</u> | <u>-</u> | <u>171,849</u> | <u>172,513</u> | <u>664</u> |
| Total Grants to States | | | | <u>364,737</u> | <u>(67,393)</u> | <u>263,242</u> | <u>196,513</u> | <u>664</u> |
| TOTAL FEDERAL AWARDS | | | | <u>\$ 364,737</u> | <u>\$ (67,393)</u> | <u>\$ 263,242</u> | <u>\$ 196,513</u> | <u>\$ 664</u> |

See accompanying notes to schedules of expenditures of federal and state awards.

INDIANHEAD FEDERATED LIBRARY SYSTEM

SCHEDULE OF EXPENDITURES OF STATE AWARDS For the Year Ended December 31, 2018

| State Agency/Program Title | State ID Number | Program or Award Amount | (Accrued)/ Deferred Beginning Balance | Cash Received | Expenditures | Accrued/ (Deferred) Ending Balance |
|---|-----------------------|-------------------------------|--|---------------------|---------------------|---|
| <u>Wisconsin Department of Public Instruction</u> | | | | | | |
| Public Library Systems Aid | 255.002 | \$ 1,162,585 | \$ 871,939 | \$ 1,190,688 | \$ 1,162,585 | \$ (900,042) |
| TOTAL STATE AWARDS | | <u>\$ 1,162,585</u> | <u>\$ 871,939</u> | <u>\$ 1,190,688</u> | <u>\$ 1,162,585</u> | <u>\$ (900,042)</u> |

See accompanying notes to schedules of expenditures of federal and state awards.

INDIANHEAD FEDERATED LIBRARY SYSTEM

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “schedules”) include the federal and state grant activity of the Indianhead Federated Library System under programs of the federal and state government for the year ended December 31, 2018. The information in these schedules is presented in accordance with the requirements of the Wisconsin Department of Public Instruction. Because the schedules present only a selected portion of the operations of the Indianhead Federated Library System, they are not intended to and do not present the financial position or changes in net position of the Indianhead Federated Library System.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedules are reported on modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

NOTE 3 – PASS-THROUGH GRANTORS

Federal funds have been passed through the following grantor:

WI DPI – Wisconsin Department of Public Instruction

OTHER AUDITORS' REPORTS

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

Independent Auditors' Report

Board of Trustees
Indianhead Federated Library System
Eau Claire, Wisconsin

We have audited, 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, the financial statements of the governmental activities and major fund of the Indianhead Federated Library System as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Indianhead Federated Library System's basic financial statements, and have issued our report thereon dated May 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Indianhead Federated Library System'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the system's internal control. Accordingly, we do not express an opinion on the effectiveness of the Indianhead Federated Library System'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 the 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 a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2018-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Indianhead Federated Library System's Response to Finding

Indianhead Federated Library System's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Indianhead Federated Library System'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 result 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.

A handwritten signature in black ink that reads "Baker Tilly Virchow Krause, LLP". The signature is written in a cursive, flowing style.

Eau Claire, Wisconsin
May 14, 2019

INDIANHEAD FEDERATED LIBRARY SYSTEM

SCHEDULE OF FINDINGS AND RESPONSES For the Year Ended December 31, 2018

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: **unmodified**

Internal control over financial reporting:

- | | | |
|---|------------------|---------------------|
| > Material weakness(es) identified? | _____ yes | <u> X </u> no |
| > Significant deficiency(ies) identified? | <u> X </u> yes | _____ none reported |

| | | |
|---|-----------|-----------------|
| Noncompliance material to financial statements noted? | _____ yes | <u> X </u> no |
|---|-----------|-----------------|

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

2018-001: INTERNAL CONTROL ENVIRONMENT

Criteria: A system of internal control should be in place to achieve a high level of reliability that errors or irregularities in your processes would be discovered by your staff. A critical component of a solid internal control system is ensuring that individuals have access to only one phase of an accounting process.

Condition: There is a lack of controls over accounts payable/disbursements, payroll, and monthly and year-end accounting due to a lack of segregation of duties in the accounting functions.

Cause: The system has not assigned duties to have appropriate controls in place.

Effect: Because of the lack of internal controls, it is less likely that errors or irregularities would be discovered internally and your accounting records may be misstated.

Recommendation: The system's board and management should consider whether additional compensating controls are feasible. In the absence of hiring additional staff, the board of trustees should rely more heavily on their direct knowledge of the system's operations and regular contact with management to control and safeguard assets.

Management's Response: The system, including the board of trustees, is aware that the system has a lack of segregation of duties. Because of its size, the system does not feel it is cost effective to hire the number of employees needed for an adequate segregation of duties. The system board relies on their direct knowledge of the system's operations and regular contact with management to control and safeguard assets. Management is also very involved in the day-to-day operations of the system and compensating controls have been implemented where practical.

INDIANHEAD FEDERATED LIBRARY SYSTEM

Eau Claire, Wisconsin

COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT

As of and for the Year Ended December 31, 2018

INDIANHEAD FEDERATED LIBRARY SYSTEM

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| Required Communication of Internal Control Related Matters Identified in the Audit to Those Charged with Governance | 1 |
| Internal Control Environment | 2 |
| Other Communications to Those Charged with Governance | |
| Two Way Communication Regarding Your Audit | 3 – 4 |
| Communication of Informational Points to Management that are not Material Weaknesses or Significant Deficiencies | |
| Required Communications by the Auditor to Those Charged with Governance | 5 – 8 |
| Management Representations | |

**REQUIRED COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS
IDENTIFIED IN THE AUDIT TO THOSE CHARGED WITH GOVERNANCE**

To the Board of Trustees
Indianhead Federated Library System
Eau Claire, Wisconsin

In planning and performing our audit of the financial statements of Indianhead Federated Library System (System) as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of its internal control.

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

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 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 deficiency in Indianhead Federated Library System's internal control to be a significant deficiency:

> Internal Control Environment

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.

Baker Tilly Virchow Krause, LLP

Eau Claire, Wisconsin
May 14, 2019

INTERNAL CONTROL ENVIRONMENT

Auditing standards require that we perform procedures to obtain an understanding of your organization and its internal control environment as part of the annual audit. This includes an analysis of significant transaction cycles and an analysis of the System's year-end financial reporting process and preparation of your financial statements.

A properly designed system of internal control includes adequate staffing as well as policies and procedures to properly segregate duties. This includes systems that are designed to limit the access or control of any one individual to your organization's assets or accounting records, and to achieve a higher likelihood that errors or irregularities in the System's accounting processes would be discovered by your staff in a timely manner.

At this time, due to staffing and financial limitations, the System does not have proper internal controls in place to achieve adequate segregation of duties. As a result, errors or irregularities could occur as part of the financial process that may not be discovered by the System. Therefore, we are reporting a significant deficiency related to the System's internal control environment.

There are also key controls, which are listed below, that are not currently in place at the System related to significant transaction cycles. These key controls are important in reducing the risk of errors or irregularities in the System's accounting processes.

CONTROLS OVER ACCOUNTS PAYABLE/DISBURSEMENTS

- > Persons processing accounts payable and those with access to the system should be separate from those ordering or receiving goods or services (segregation of duties).

CONTROLS OVER PAYROLL

- > Persons preparing the payroll should be independent of other personnel duties or restricted from access to the payroll account (segregation of duties).

CONTROLS OVER MONTHLY AND YEAR-END ACCOUNTING

- > Account reconciliations should be performed by someone independent of the processing of transactions in the account (segregation of duties).

Since these key controls are not currently in place, errors or irregularities could occur as part of the financial process that may not be discovered by the System. Therefore, the absence of these controls is considered to be a significant deficiency.

We recommend that a designated System employee review the segregation of duties issues and these potential controls and determine whether additional controls could be implemented. This determination should take into consideration a cost / benefit analysis. It is very important that the governing body provide the appropriate level of financial oversight to the System's day to day activities.

OTHER COMMUNICATIONS TO THOSE CHARGED WITH GOVERNANCE

TWO WAY COMMUNICATION REGARDING YOUR AUDIT

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

- a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
 - > Identify types of potential misstatements.
 - > Consider factors that affect the risks of material misstatement.
 - > Design tests of controls, when applicable, and substantive procedures.

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with *Government Auditing Standards*, our report will include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.

- c. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

TWO WAY COMMUNICATION REGARDING YOUR AUDIT (cont.)

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the board of trustees has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
- d. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- e. Have you had any significant communications with regulators or grantor agencies?
- f. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness, and actions of the System concerning:

- a. The System's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary audit work during the months of December or January. Our final fieldwork is scheduled during the spring or early summer to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff. This is typically 2-4 weeks after final fieldwork, but may vary depending on a number of factors.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means, or wish to provide other feedback. We welcome the opportunity to hear from you.

REQUIRED COMMUNICATIONS BY THE AUDITOR TO THOSE CHARGED WITH GOVERNANCE

To the Board of Trustees
Indianhead Federated Library System
Eau Claire, Wisconsin

Thank you for using Baker Tilly Virchow Krause, LLP as your auditor.

We have completed our audit of the financial statements of Indianhead Federated Library System for the year ended December 31, 2018, and have issued our report thereon dated May 14, 2019. This letter presents communications required by our professional standards.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND GOVERNMENT AUDITING STANDARDS

The objective of a financial statement audit is the expression of an opinion on the financial statements. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. These standards require that we plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements prepared by management with your oversight are free of material misstatement, whether caused by error or fraud. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management or the board of trustees of their responsibilities.

As part of the audit we obtained an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. The audit was not designed to provide assurance on internal control or to identify deficiencies in internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Indianhead Federated Library System's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions was not an objective of our audit.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

Our responsibility does not extend beyond the audited financial statements identified in this report. We do not have any obligation to and have not performed any procedures to corroborate other information contained in client prepared documents, such as official statements related to debt issues.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in our prior year Communication to Those Charged with Governance and Management point titled "Two Way Communication Regarding Your Audit" dated May 17, 2018.

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES

Accounting Policies

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 Indianhead Federated Library System are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the System during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

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

- > Management's estimate of the net pension asset (liability) and the deferred outflows and deferred inflows related to pensions, which impacts the reported pension expense, are based on information provided by the Wisconsin Retirement System.
- > The depreciable lives for capital assets are based on management's estimate of the useful life of each asset.

We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing 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 trivial, and communicate them to the appropriate level of management.

During our audit, we noted uncorrected misstatements related to the system's other postemployment benefits and licensing agreements. The system has elected not to implement GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. At December 31, 2018, the unrecorded deferred outflows were \$9,197, and the unrecorded liability and deferred inflows combined were \$108,094, causing an understatement of expenses in the amount of \$55,210 in the governmental activities' statement of activities. In addition, the system has not recorded the proceeds and related capital outlay for its new three-year licensing agreement, causing an understatement of expenditures and other financing sources of \$28,855 in the general fund's statement of revenues, expenditures and changes in fund balance. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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.

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' 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.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter. This letter follows this required communication.

INDEPENDENCE

We are not aware of any relationships between Baker Tilly Virchow Krause, LLP and Indianhead Federated Library System that, in our professional judgment, may reasonably be thought to bear on our independence.

Relating to our audit of the financial statements of Indianhead Federated Library System for the year ended December 31, 2018, Baker Tilly Virchow Krause, LLP hereby confirms that we are, in our professional judgment, independent with respect to the System in accordance with the Code of Professional Conduct issued by the American Institute of Certified Public Accountants. We provided no services to the System other than audit services provided in connection with the audit of the current year's financial statements.

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 System's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

We applied certain limited procedures to required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 supplementary information which accompanies the financial statements but is not RSI. With respect to the 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.

RESTRICTION ON USE

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

We welcome the opportunity to discuss the information included in this letter and any other matters. Thank you for allowing us to serve you.

Baker Tilly Virchow Krause, LLP

Eau Claire, Wisconsin
May 14, 2019

MANAGEMENT REPRESENTATIONS

Baker Tilly Virchow Krause, LLP
3410 Oakwood Mall Drive, Suite 200
Eau Claire, WI 54701

Dear Baker Tilly Virchow Krause, LLP:

We are providing this letter in connection with your audit of the financial statements of Indianhead Federated Library System as of December 31, 2018 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Indianhead Federated Library System and the respective changes in financial position in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

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

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
3. We acknowledge our responsibility 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5. Significant assumptions we used in making accounting estimates, if any, are reasonable.
6. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other 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.
7. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
8. We believe the effects of the uncorrected financial statement misstatements listed here are immaterial, both individually and in the aggregate, to the basic financial statements as a whole. The System has elected not to implement GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. At December 31, 2018, the unrecorded deferred outflows were \$9,197, and the unrecorded liability and deferred inflows combined were \$108,094, causing an understatement of expenses in the amount of \$55,210 in the governmental activities' statement of activities. In addition, the System has not recorded the proceeds and related capital outlay for its new three-year licensing agreement, causing an understatement of expenditures and other financing sources of \$28,855 in the general fund's statement of revenues, expenditures and changes in fund balance.
9. We are not aware of any known actual, possible, 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 accounting principles generally accepted in the United States of America, and we have not consulted a lawyer concerning litigation, claims, or assessments.
10. Guarantees, whether written or oral, under which the System is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
13. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - 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.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.

15. We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

16. There are no known related parties or related party relationships and transactions of which we are aware.

Other

17. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

18. We have a process to track the status of audit findings and recommendations.

19. We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

20. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.

21. The System has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

22. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

23. There are no:

a. Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant 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, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.

b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.

c. Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.

24. Indianhead Federated Library System 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.

25. Indianhead Federated Library System has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.

26. We have no component units or joint ventures with an equity interest, or other joint ventures or related organizations that would require disclosure in the financial statements.

27. The financial statements properly classify all funds and activities.

28. Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
29. Indianhead Federated Library System has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.
30. Provisions for uncollectible receivables, if any, have been properly identified and recorded.
31. 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.
32. Revenues are appropriately classified in the statement of activities within program revenues and general revenues.
33. Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
34. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
35. We have complied with the implementation of GASB No. 49 and believe that there is no liability to accrue related to pollution remediation at this time.
36. We have appropriately disclosed Indianhead Federated Library System's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available.
37. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
38. With respect to the supplementary information, (SI):
 - a. We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b. If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

39. We assume responsibility for, and agree with, the information provided by the Wisconsin Retirement System as audited by the Legislative Audit Bureau relating to the net pension asset/liability and related deferred outflows and deferred inflows and have adequately considered the reasonableness of the amounts and disclosures used in the financial statements and underlying accounting records. We also assume responsibility for the census data that has been reported to the plan.

Sincerely,

Indianhead Federated Library System

Signed: John Thompson

Signed: Juli Button

Dated: 5/14/2019

Director's Report
IFLS Board of Trustees
May 22, 2019

IX. 2018 Audit Report and Presentation – A presentation from our auditors will highlight key points from the 2018 audit as well as answer any questions from board members.

XI. Compliance with System Membership Update – An update with any compliance plan approvals will be provided at the meeting.

XII. Report from IFLS Personnel Committee – The committee will be meeting prior to the board meeting regarding the director evaluation process/timeline for 2019. They will also be selecting a committee chair.

XIII. System Redesign Update – Four in-person and one virtual listening sessions were held by Wisconsin Council on Library and Network Development (COLAND) in April. At the Wisconsin Association of Public Libraries (WAPL) Conference John DeBacher presented a brief overview of the recommendations and sought feedback/comments on recommendations. COLAND met on May 10th to review the feedback from the listening sessions and met with State Superintendent Carolyn Stanford Taylor regarding the report and other topics. COLAND requested a draft implementation timeline be created by Division staff for review at the July COLAND meeting.

Director's Report -- Monthly Activities

Joint Finance Committee Listening Session—April 15, 2019

A group of library supporters led by Heather Johnson, River Falls and Pamela Westby, Eau Claire attended the listening session held in River Falls and spoke in favor of libraries.



Wisconsin Association of Public Libraries (WAPL) Conference May 1-3, 2019

Attended System and Resource Library Administrators Association of Wisconsin (SRLAAW) meeting on May 1st. Attended the social/networking event that evening.

Sessions Attended: Keynote: How to Better Leverage Library Resources for Marketing Success; A Survey of Wisconsin Library Data; Luncheon with Michael Perry; Who's in Charge? Building Strong Relationships between Libraries and Friends, Foundations or Both?; Building a Library Budget; Making Space: Rethinking your Library; and Public Library System Redesign: The Next Phase.

Some key takeaways from the sessions—Libraries need to go where the people are and continue to build awareness of the wide range of services and programs provided by libraries.

Space Planning Webinar Presentation

Presented the first in a series of webinars about space planning and library building projects. Additional topical programs will be developed based on library needs.

Are You Ready for a Building Project? Assessing Space Needs and Community Readiness. With John Thompson from IFLS Library System. [Recording](#). [Slides](#).

County Planning

The Chippewa and Polk County library plans have been approved by their respective boards and submitted to the Division.

Director Hiring Guide

Partially in response to New Richmond's Request for Proposal for an Executive Recruiting Firm, IFLS staff members updated and compiled some existing IFLS hiring resources to create Now Hiring: Director – Library Director Hiring Guide. This was submitted to New Richmond and can be shared with other library boards as they begin a hiring process.

Consulting Topics—Buildings; Budgets; County Planning; Director Hiring; Planning; Personnel; and Policy Development.

John Thompson (May 14, 2019)

Reference & Interlibrary Loan Coordinator's Report - May 2019 #024(19)

Site visits to:

Hudson Public Library to discuss interlibrary loan workflow and databases; and
Fall Creek Public Library to meet with new director (we talked WISCAT/ILL, databases, ebooks, MORE holds, and delivery).

Meetings & webinars:

Delivery discussion with WVLS & Marathon County, NWLS, and SCLS directors & delivery staff;
Chippewa Valley Technical College Library Advisory Committee meeting;
WPLC Budget Committee;
OverDrive Selector training webinar;
MORE Resource Sharing & Collection Development Meeting;
WPLC Digital Library Steering Committee;
WPLC Annual Meeting (held day before WAPL conference in Wausau);
WiLS Taco Tuesday webinar about ILL softwares (I did a 10-minute presentation about WISCAT).

Attended WAPL (Wisconsin Association of Public Libraries) spring conference. All the sessions I attended provided info/ideas that would be useful for our area libraries.

How to Better Leverage Library Resources for Marketing Success - the keynote speaker, Trenton Smiley (Marketing & Communications Director for Capital Area District Libraries in Lansing Michigan), shared a variety of ways to mesh library strengths with communities needs for promotion. *Top Thirteen Ways to be a Bad Selector* – by talking about the “bad” ways to select materials for library selections, presenter Marge Loch-Wouters did a good job of educating us on the better ways to serve our library communities. *30 Ways to Make Your Small Library Extraordinary* – Jamie Matczak did a nice presentation; one of my takeaways was to document not as common tasks which means spending less time figuring out how to do that task each time. *At the Movies XII: The Book Strikes Midnight* – panel presents upcoming movies based on books; the list provided is especially useful for selecting since these books will likely be in demand again. *Love in the Stacks: Romance Novels in the 21st Century* – Jacqueline Rammer, director of the Lakeview Community Library in Random Lake & romance novelist, described the many subgenres of romance as well as tips & tricks for romance reader's advisory. The Wisconsin Public Library Consortium: It's More than Just OverDrive! – overview of the Wisconsin Digital Library (facts & figures) as well as the historical newspaper project, BiblioBoard, and the Wisconsin Author Project. Thursday luncheon speaker Michael Perry was a treat as was connecting & conversations with the many other attendees including IFLS area librarians.

IFLS ILL Clearinghouse Statistics

| Requests Received | 2016 | 2017 | 2018 | 2019 |
|-------------------|---------------|---------------|---------------|-------------|
| January | 1688 | 1705 | 1718 | 1744 |
| February | 1755 | 1573 | 1606 | 1599 |
| March | 2029 | 1716 | 1897 | 1554 |
| April | 1709 | 1521 | 1612 | 1611 |
| May | 1564 | 1536 | 1453 | |
| June | 1507 | 1503 | 1462 | |
| July | 1553 | 1464 | 1465 | |
| August | 1477 | 1605 | 1565 | |
| September | 1664 | 1523 | 1377 | |
| October | 1555 | 1693 | 1607 | |
| November | 1402 | 1472 | 1444 | |
| December | 1452 | 1464 | 1405 | |
| Total | 19,355 | 18,775 | 18,611 | 6508 |

MORE Administrator's Report

Lori Roholt

May 2019 – IFLS Board of Trustees

Innovative Users Group (IUG) Conference

Eight library and system staff members from the IFLS area attended this year's Innovative Users Group conference in Phoenix earlier this month. It was a good opportunity to learn about new ways to use our library automation software and hear about our vendor's development plans. We attendees plan on making conference reports available soon.

The 2020 Innovative Users Group Conference will be held in Minneapolis, likely making it possible for MORE to sponsor more attendees and require less of a time commitment.

Online Patron Registration

At their meeting on March 15, MORE Directors Council approved an online patron registration policy to allow individuals to register online for a library card that grants access to system- and consortium-funded electronic resources. I expect this option to be functional by this summer.

Collaborations

A few recent projects have highlighted the complimentary way IFLS system staff works with and on behalf of member libraries to achieve library goals:

- In response to staff requests and with funding approved by MORE Directors Council, we've added some new search options for the online catalog, including the ability to limit to young adult or adult materials, in addition to the pre-existing option of limiting to children's materials. This seemingly minor change required a fair amount of back-end set-up for we system staff, but was a seamless improvement for library users and staff.
- Some libraries are beginning to consider issuing library cards en masse to students in local school districts. These will be collaborative projects with many service-related details arranged between public libraries and local school staff, with the technical underpinnings handled by us here at IFLS.
- Several staff members from other library systems in the state who work with library automation held an online meeting in April, and several of us met again at the IUG conference. It's so valuable to learn how other systems have addressed challenges and how they've implemented solutions, given the frequent overlap in what our member libraries are challenged by and want to accomplish.

Upcoming projects

Chippewa Valley Technical College Library continues to be in contact about re-joining MORE. We don't have a timeline for their decision, but they seem to be moving along in their planning process.

MORE's budget season is upon us, with Directors Council planning to approve a 2020 budget in mid-July. Leading up to the budget approval, library staff and directors have a chance to weigh in on possible changes to the budget. Passing the budget in July means directors can build actual MORE costs into their local budgets.

IFLS Library System Board of Directors
Library Development and Youth Services Coordinator's Report of Activities
Submitted by Leah Langby May 14, 2019

Continuing Education Highlights:

- Parents Interacting with Intention (PIWI) on April 18 in Roberts—Facilitator Training and Team Building. Teams from St. Croix Falls, Rice Lake, Barron, and River Falls/Roberts, with practitioners from libraries, Early Head Start, Birth to Three, school districts, and the St. Croix Valley Family Resource Center. Partners and I providing follow-up support as needed.
- IFLS co-sponsored 4 webinars with several other systems this spring (two of which I organized):
 - Doug Crane: *Overcoming the Email Avalanche*, March 20
 - Doug Crane: *From Inbox to Completion: Workflow*, March 27
 - Beth Gaytan, Wisconsin Literacy: *Plain Language for More Effective Communication*, April 8 (attended by 67 live, 93 accessed the recording)
 - John Thompson, *Are You Ready for a Building Project: Assessing Needs and Community Readiness* (15 attended live, 5 viewed the recording so far)
- IFLS provided scholarship assistance to 4 librarians from IFLS land to attend the Wisconsin Association for Public Libraries Conference May 1-3: Rozanne Traczek (Fairchild); Britta Kingwill (New Richmond); Kris Surbaugh (Frederic); Katie Schneider (Glenwood City).
- *STEAM-Tastic* workshop, with Leah Hamilton (Phelps Public Library, New York) on May 10 was attended by 37 people—so far comments have been very positive, with librarians attending planning to connect with schools, local manufacturers, and other community partners to find connections and potential volunteers.
- Provided Prepare Training for staff from Bloomer and Sand Creek on May 7—10 people attended. I did this training solo, and feedback was very positive.

Consulting Highlights

- New youth services librarian orientations with staff from Turtle Lake, Prescott
- New director orientation in Fall Creek, meeting new social worker at LEPMPL

Continuing Education for LEAH

- Attended the Power Up: Youth Services Leadership conference at the end of March. My very favorite session was about streamlining offerings with some excellent tools and ideas for making programs intentional and effective. I am considering all the ways to share this information.
- Attended the Eau Claire Brain Conference April 4. This is always a very enlightening and inspiring conference. This year it highlighted childhood poverty, adverse experiences, and resilience.

Other Highlights

- Attended a 2-day State of the State meeting with other consultants and DPI April 15-16. Came home with lots of ideas and projects to consider!
- IFLS kits have circulated 48 times since March 20 (to both IFLS and WVLS libraries).
- Working on a grant proposal with United Way Chippewa Valley to benefit Augusta and Bloomer with a Talking Is Teaching project.
- I'm astonished at how much of my calendar is filled with meetings related to planning the WLA Annual Conference. I appreciate IFLS support for this work.

IT Director Report

IFLS Board of Trustees, May 2019

Kris Schwartz, IT Director

Dell Purchasing Cooperative –

IFLS and many other library systems in the state worked with Dell to migrate our Dell Premier accounts into a single statewide account. After months of work the process is complete and we have a new “Wisconsin Library Systems” Dell portal. The most obvious benefit of this is to create a much larger purchasing pool to get greater discounts for PC’s, laptops, monitors, and servers that we can then pass on to our libraries when ordering through IFLS. We were getting computers about 40% cheaper than retail through our government discounts before this new purchasing agreement and so far, we have been able to pass on an additional 21% savings on to our libraries on the standard PC configuration we recommend. Another benefit is the ability to create standard configurations which we can use to purchase the same PC or laptop repeatedly for months. As a single system IFLS did not purchase enough PC’s to qualify to have a standard configuration. Having a standard configuration streamlines the ordering process and allows for easier standardization across all the LEANWI member systems. IFLS, WVLS, and NWLS agreed on 2 standard configurations of PC that we will purchase which will make it possible for IT staff in any of the LEANWI member systems to support the libraries across all 3 systems.

Recovery from CPU shortage –

Over the past about 8 months there has been a worldwide CPU shortage making it difficult and at times impossible to purchase computers. The CPU is essentially the brains of a computer, it does all the billions of calculations per second that computers do to complete the tasks we request of them. Without a good CPU a computer is nothing but an expensive door-stop. We had been working with various vendors to fulfill the libraries need for computers and we were able to procure some here and there, but a rather large backlog of orders had built up. Several vendors have recovered for the time being and now Dalton Stewart our PC support technician is working hard on purchasing, setting up, and heading out to the libraries to install all the computers. The shortage has not completely recovered, and it looks like it may possibly have a less devastating re-occurrence in the coming months. We will be watching closely and may look at doing a preemptive bulk purchase to make sure we have some computers on hand to soften the blow if this does look like it will become an issue.

Board Report for April/May

More savings for libraries on library card printing

I changed vendors for library card printing. The quality is the same as the previous vendor, and there are some notable differences:

- When printing the card/keytag combinations, they're laid out so that there's far less plastic waste;
- Libraries saved about 12¢ per card on combination sets (25¢/card instead of 38¢/card) on a similar sized order. The order for the regular cards is harder to compare. This year's order was only 3500 cards, and the last order from the previous vendor was 7500. Even considering volume discount, this year's order was 23¢/card and last year's was 25¢/card.
- That's savings over the last order. Because price per card is based on quantity, libraries' cost is lower because we do a bulk order. For the PC1s, regular price is about \$0.28 per card or \$980 for 3500 pieces. Your cost was \$0.16 or \$560, so you saved \$420 on your cards through the contract. For the PC28s, regular price is about \$0.27 per card or \$1485 for the total order. Your cost was \$1045, so you saved \$440 there. In total there was a savings of \$860 off the total order cost.

I just completed this year's magnet order. Twelve libraries took advantage of this group order, which saved almost \$300 from what libraries would have paid if they ordered and shipped separately. Here's an example:



Marketing Tools for Librarians

I send out an e-letter called Marketing Monday every two weeks. Each e-letter includes a tip or design theory, links to great resources or articles and news about upcoming services to watch for. They're short and sweet, quick to read and easy to use.

I started using MailChimp to send out e-mails in July 2018. Marketing Monday is a "warm list" so a good comparison is other nonprofit lists. For nonprofits, the average open rate is 24.11% and the average click rate (how many links people click on while reading the newsletter) is 2.57%.

My list has gone from about 50 subscribers last July to 70 currently. My open rate is 59.8% and click rate is 12.9%. Here's a [sample e-letter](#) from Library Week.

WAPL Conference Quick Feedback (from Rebecca and staff)

I asked attendees to tell me what their top 2 take-aways were from the WAPL conference. Here's a list:

- I loved all the marketing information, as well as the "30 Ways to Make Your Small Library Extraordinary" session. Great conference!
- Hot Spots promoted for check out for school bus rides and all about Go Pro!
- Doorbell Chime to call for help for Back Room Maker Space!
- The needs of the organization are more important than the needs of the staff.
- Make sure to weed as impartially as you select and don't keep books just because they're your favorite.
- Internet privacy--is an ongoing conversation--how to inform a seemingly uncaring public about online data tracking and gathering.
- Leverage--using trade-offs/barter to expand our ability to work for and with the community that we live in.

I find it invaluable to spend time with a lot of library staff, to hear what questions they have and what challenges they face. That makes me better able to develop tools that are useful to our libraries. And the keynote presentation on Marketing was outstanding.

Thanks for the opportunity to attend this excellent conference!