

NOTICE

Milwaukee County  
Federated Library System  
Board of Trustees

Monday, July 20<sup>th</sup>, 2020

3:30 P.M.

This meeting will be conducted online  
using Zoom meeting software

Meeting URL: [CLICK HERE](#)

Download Zoom: <https://zoom.us/download>

Instructions: <https://support.zoom.us/hc/en-us/articles/201362193-Joining-a-Meeting>

AGENDA

1. Call to order
2. Adoption of agenda
3. Approval of minutes: the MCFLS Board of Trustees meeting on Monday, June 15<sup>th</sup>, 2020  

Action      [Attachment A](#)
4. Public comment

Please note: Upon reasonable notice, efforts will be made to accommodate the needs of disabled individuals through sign language interpreters or other auxiliary aides.

Board of Trustees—Administrative reports requiring action

- |   |        |                              |
|---|--------|------------------------------|
| 5. Financial Report—June 2020           | Action | <a href="#">Attachment B</a> |
| 6. 2019 MCFLS System Audit Presentation | Action | <a href="#">Attachment C</a> |
| 7. 2020 Mid-year Budget Revision        | Action | <a href="#">Attachment D</a> |
| 8. Revised RFP for Marketing Services   | Action | <a href="#">Attachment E</a> |

Administrative Informational Items

- |   |                              |
|---|------------------------------|
| 9. Coronavirus Response – System and Member Library Update. |                              |
| 10. 2020-2024 MCFLS Strategic Plan quarterly report         | <a href="#">Attachment F</a> |
| 11. Director's Report                                       | <a href="#">Attachment G</a> |

Next meeting date: Monday, August 17<sup>th</sup> at 3:30 pm. Tentatively scheduled to take place at the Whitefish Bay Public Library, 5420 N. Marlborough Dr., Whitefish Bay, WI 53217.

Milwaukee County Federated Library System  
Board of Trustees

Regular Monthly Meeting held Monday, June 15, 2020  
Zoom Meeting

ROLL CALL

Present: Paul Ziehler, President  
Steven Shea, Vice President  
Nik Kovac, Treasurer  
Guy Johnson, Trustee  
Elizabeth Suelzer, Trustee

Staff: Steve Hesel, Director  
Judy Kaniasty, Business Manager  
Jen Schmidt, Library Systems Manager

Others: Judy Pinger, LDAC Co-Chair and Milwaukee Public Library  
Rachel Arndt, LDAC Co-Chair and Milwaukee Public Library

CALL TO ORDER. President Ziehler called the regularly scheduled monthly meeting of the Milwaukee County Federated Library System Board of Trustees to order at 3:31 p.m.

ADOPTION OF AGENDA. President Ziehler referred to the agenda. Trustee Johnson moved and Trustee Suelzer seconded a motion to approve the agenda as distributed. Unanimously approved.

APPROVAL OF MINUTES. President Ziehler referred to the minutes of the Monday, May 18, 2020 meeting which are shown as Attachment A of the agenda packet. Treasurer Kovac moved and Trustee Suelzer seconded a motion to approve the minutes as presented. Unanimously approved.

PUBLIC COMMENT. None.

LIBRARY DIRECTORS ADVISORY COUNCIL. LDAC Co-Chair Judy Pinger reviewed her report of the June 4, 2020 meeting which were distributed via email and are shown as Exhibit 1 attached to these minutes and responded to Board questions.

BOARD OF TRUSTEES – ADMINISTRATIVE REPORTS REQUIRING ACTION.

Financial Report – May 2020. President Ziehler referred to the May, 2020 financial report, which is shown as Attachment C of the agenda packet. Director Hesel reported that he has become aware that the carryover amount will be lower than the estimated \$35,000 to a \$12,000 and for comparison purposes, 2018 had a carryover of \$98,000. The mid-year budget revision will see decreases in categories not being spent during this pandemic such as conferences to balance the budget. The State will not be presenting a budget repair bill until after the November elections so 2021 funding may be impacted. Director Hesel will be developing 2021 budgets with 5% and 10% decreases in State Aid.

funding. Director Hesper noted that libraries are questioning what may happen with reciprocal borrowing due to libraries being closed and he wonders whether the Board might consider discussing the possibility of an average of the past three years for 2022; the 2021 amount is already set. Vice President Shea moved and Trustee Johnson seconded a motion to approve the May, 2020 financial report as presented. Unanimously approved.

2021 County Budget Request. President Ziehler referred to the 2021 County Budget request which is shown as Attachment D of the agenda packet. Director Hesper noted that it is prepared as directed at last month's meeting and reported that the method determining the number of active card holders and new registrations reflects that DPI wants that number verified and that State Aid is based on population, service area and local expenditures so the decrease in the number would not impact funding with that formula in place. Director Hesper noted he still needs to complete the Racial Equity Budgeting Tool portion of the request and he would like to take time to do it properly. He will forward that to the Board before it is included and sent off to the County. Vice President Shea moved and Treasurer Kovac seconded a motion to approve the 2021 County Budget Request as presented noting that the Racial Equity Budgeting Tool questions will be prepared and shared prior to submission by Director Hesper to the Board. Unanimously approved.

Annual Report Compliance Plan. President Ziehler referred to the Annual Report Compliance Plan which is shown as Attachment E of the agenda packet. Director Hesper reported that the problems that occurred related to securing proper signatures in a timely manner and now plans are in place to rectify the issues. Trustee Suelzer moved and Treasurer Kovac seconded a motion to submit the communication to the State as requested. Unanimously approved.

2019-2020 MCFLS Technology Report. President Ziehler referred to the 2019-2020 MCFLS Technology Report which is shown as Attachment F of the agenda packet. Director Hesper reported that this report is different than the State required 5-year plan and it satisfied a number of Strategic Plan objectives. The document has been reviewed with the LDAC and Director Hesper would like approval of it. Trustee Johnson moved and Vice President Shea seconded a motion to approve the 2019-2020 MCFLS Technology Report as presented. Unanimously approved.

Resolution for Judy Kaniasty. President Ziehler referred to the Resolution for Judy Kaniasty, celebrating 40 years of service to libraries which is shown as Attachment G of the agenda packet. Vice President Shea moved and Trustee Suelzer seconded a motion acknowledging the resolution honoring Business Manager Judy Kaniasty's 40<sup>th</sup> Anniversary. Unanimously approved.

#### ADMINISTRATIVE INFORMATIONAL ITEMS.

##### Coronavirus Response – System and Member Library Update.

Wisconsin DPI Guidelines and Reopening Public Libraries. Director Hesper reported that he has shared the Guidelines via email to the Board adding that libraries are at various stages of providing service to the public and gearing up for additional services based on local health department directives and protocol. Delivery is at 5-days a week to all suburban libraries and weekly delivery to two MPL branches at this time. The additional delivery tubs are very necessary during the quarantining of materials since more tubs are tied up at locations. Many more meetings are being held with much more communication being helpful for all directors making decisions with local officials.

MCFLS Staff Work Guidelines. Director Hesper referred to Attachment H of the agenda packet noting that being a tenant in the MPL Central Library dictates that staff are only allowed into the building when absolutely necessary for short periods of time to do what needs to be done onsite and then leaving to return home to work the rest of the day. Things are working well for all staff and tasks are being completed on time.

Update regarding MCFLS Board Appointments. President Ziehler asked that Director Hesper report on the progress being made on filling MCFLS Board vacancies. Director Hesper reported that the County Executive's Office has forwarded the name of Howard Snyder as a replacement for Paula Pennebaker to be a new member of the MCFLS Board; Director Hesper has since talked with him and Mr. Snyder remains interested to move forward with the process of meeting with the County Executive. The Kurt Glaisner vacancy will be a local library board member and Director Hesper has reached out to local library boards for nominations.

Director's Report. Director Hesper reviewed his report, which is shown as Attachment I of the agenda packet.

NEXT MEETING. Board members are pleased on how well the remote meetings are working out and agreed to hold the Monday, July 20, 2020 meeting at 3:30 p.m. remotely again due to pandemic concerns.

ADJOURNMENT. With no further business to be addressed, Vice President Shea moved and Trustee Suelzer seconded a motion to adjourn the meeting at 4:37 p.m. Unanimously approved.

M.C.F.L.S.  
Financial Report  
For the Six Months Ending June 30, 2020

1		<u>Annual Budget</u>	<u>Year to Date</u>	<u>%</u>	<u>Balance</u>	<u>%</u>
2						
3	<b><u>General Revenues</u></b>					
4	State Aid Revenue	\$ 2,855,319	\$ 2,855,319	(100.00)	\$ -	0.00
5	Milwaukee County Allocation	\$ 66,650	\$ 66,650	(100.00)	\$ -	0.00
6	West Milwaukee Contract -Other	\$ 47,466	\$ 47,466	(100.00)	\$ -	0.00
7	Interest on Invested Funds	\$ 7,500	\$ 7,404	(98.72)	\$ 96	(1.28)
8	Member Forms/Supplies Rev (60)	\$ 20,000	\$ 8,232	(41.16)	\$ 11,768	(58.84)
9	Member Postage Revenue (59)	\$ 25,000	\$ 5,332	(21.33)	\$ 19,668	(78.67)
10	Member OCLC Revenue	\$ 121,591	\$ 121,591	(100.00)	\$ -	0.00
11	Member Telecomm. Revenue (69)	\$ 16,800	\$ 16,800	(100.00)	\$ -	0.00
12	Member III Softwre Maint-Basi	\$ 179,267	\$ 179,267	(100.00)	\$ -	0.00
13	Member III Softwre Maint-Other	\$ 46,709	\$ 47,137	(100.92)	\$ (428)	0.92
14	Member Tech. Assist.-Time Rev.	\$ 15,000	\$ 11,865	(79.10)	\$ 3,135	(20.90)
15	Member Special Projects Revenu	\$ 80,000	\$ 32,956	(41.20)	\$ 47,044	(58.81)
16	Member Cataloging Contract Rev	\$ 163,716	\$ 163,716	(100.00)	\$ -	0.00
17	Member Database Revenue (55)	\$ 62,174	\$ 62,160	(99.98)	\$ 14	(0.02)
18	Member Catalog Enhancement Rev	\$ 29,648	\$ 29,648	(100.00)	\$ -	0.00
19	Member Ecommerce Transaction	\$ 10,000	\$ 2,881	(28.81)	\$ 7,119	(71.19)
20	TNS Calls/Notices Revenue (43)	\$ 1,260	\$ 459	(36.43)	\$ 801	(63.57)
21	Carryover Revenue	\$ 35,000	\$ -	0.00	\$ 35,000	(100.00)
22	Staff Benefits/Co-Pay Revenue	\$ 37,967	\$ 19,007	(50.06)	\$ 18,960	(49.94)
23	LSTA Technology Grant Revenue	\$ 11,200	\$ -	0.00	\$ 11,200	(100.00)
24	Member Digital Content Rev (88)	\$ 256,414	\$ 256,413	(100.00)	\$ 1	(0.00)
25	Member PC Mngmt License Rev	\$ 2,545	\$ 1,213	(47.66)	\$ 1,332	(52.34)
26	Member MKE Mixers Rev (93)	\$ 1,400	\$ 550	(39.29)	\$ 850	(60.71)
27	<b><u>Total General Revenues</u></b>	\$ 4,092,626	\$ 3,936,066	(96.17)	\$ 156,560	(3.83)
28						
29	<b><u>Special Revenues</u></b>					
30	W. Milw Borrowing Rev (97)	\$ 49,079	\$ 49,079	(100.00)	\$ -	0.00
31	Ecommerce Revenue (99)	\$ 200,000	\$ 80,721	(40.36)	\$ 119,279	(59.64)
32	<b><u>Total Special Revenues</u></b>	\$ 249,079	\$ 129,800	(52.11)	\$ 119,279	(47.89)
33						
34	<b><u>Total Revenues</u></b>	\$ 4,341,705	\$ 4,065,866	(93.65)	\$ 275,839	(6.35)
35						
36		<u>Annual Budget</u>	<u>Year to Date</u>	<u>%</u>	<u>Balance</u>	<u>%</u>
37						
38	<b><u>General Expenditures</u></b>					
39	Fringe Benefits Expense	\$ 183,573	\$ 97,713	53.23	\$ 85,860	46.77
40	Salaries Expense	\$ 381,639	\$ 190,510	49.92	\$ 191,129	50.08
41	Telephone Renewal Expense	\$ 612	\$ 254	41.50	\$ 358	58.50
42	Member Ecommerce Transaction E	\$ 10,000	\$ 2,199	21.99	\$ 7,801	78.01
43	TNS Calls/Notices Expense (20)	\$ 1,260	\$ 509	40.40	\$ 751	59.60
44	Mileage/Auto Maint Expense	\$ 700	\$ 81	11.57	\$ 619	88.43
45	Conference/Training Expense	\$ 6,500	\$ 1,054	16.22	\$ 5,446	83.78
46	Memberships Expense	\$ 5,000	\$ 3,885	77.70	\$ 1,115	22.30
47	Continuing Education Expense	\$ 9,000	\$ 6,474	71.93	\$ 2,526	28.07
48	Office Supplies Expense	\$ 1,000	\$ 619	61.90	\$ 381	38.10
49	Copy Machine Maint. Expense	\$ 2,500	\$ 562	22.48	\$ 1,938	77.52
50	MCFLS Printing Expense	\$ 500	\$ -	0.00	\$ 500	100.00
51	MCFLS Printing for Mem Expense	\$ 5,000	\$ -	0.00	\$ 5,000	100.00
52	MCFLS WI Pub Lib Consortium Ex	\$ 5,605	\$ 5,605	100.00	\$ -	0.00

ATT B - June 2020 Financial Report

M.C.F.L.S.  
Financial Report  
For the Six Months Ending June 30, 2020

53	MCFLS Buying Pool	\$ 135,000	\$ 60,000	44.44	\$ 75,000	55.56
54	MCFLS Database Expense	\$ 21,700	\$ 21,700	100.00	\$ -	0.00
55	Member Database Expense (17)	\$ 62,174	\$ 62,160	99.98	\$ 14	0.02
56	MCFLS Catalog Enhancement Expe	\$ 84,799	\$ 83,310	98.24	\$ 1,489	1.76
57	Member Catalog Enhancement Exp	\$ 29,648	\$ 13,148	44.35	\$ 16,500	55.65
58	MCFLS Postage Expense	\$ 600	\$ 160	26.67	\$ 440	73.33
59	Member Postage Expense (9)	\$ 25,000	\$ 6,950	27.80	\$ 18,050	72.20
60	Member Forms/Supplies Exp (8)	\$ 20,000	\$ 12,246	61.23	\$ 7,754	38.77
61	Telephone Expense	\$ 5,000	\$ 1,513	30.26	\$ 3,487	69.74
62	Meetings Expense	\$ 500	\$ 204	40.80	\$ 296	59.20
63	Insurance Expense	\$ 11,700	\$ 11,429	97.68	\$ 271	2.32
64	Legal Expense	\$ 500	\$ 3,450	690.00	\$ (2,950)	(590.00)
65	Audit Expense	\$ 12,250	\$ 10,590	86.45	\$ 1,660	13.55
66	Payroll Service Expense	\$ 5,200	\$ 2,165	41.63	\$ 3,035	58.37
67	III Software Support Expense	\$ 225,976	\$ 231,298	102.36	\$ (5,322)	(2.36)
68	III TNS Subscr Exp	\$ 12,224	\$ 6,112	50.00	\$ 6,112	50.00
69	Member Telecomm. Expense (11)	\$ 16,800	\$ -	0.00	\$ 16,800	100.00
70	MCFLS Telecomm. Maint. Expense	\$ 5,000	\$ 3,250	65.00	\$ 1,750	35.00
71	OCLC Expense	\$ 135,047	\$ 45,616	33.78	\$ 89,431	66.22
72	MCFLS Computer Room Equipment	\$ 5,000	\$ 595	11.90	\$ 4,405	88.10
73	MCFLS Software Expense	\$ 3,000	\$ 684	22.80	\$ 2,316	77.20
74	MCFLS Equipment Expense	\$ 6,000	\$ 7,411	123.52	\$ (1,411)	(23.52)
75	Member Special Projects Expens	\$ 80,000	\$ 48,541	60.68	\$ 31,459	39.32
76	Sorting and Delivery Expense	\$ 291,700	\$ 116,330	39.88	\$ 175,370	60.12
77	South Central Delivery Expense	\$ 22,066	\$ 11,082	50.22	\$ 10,984	49.78
78	Auto Payment/Maintenance Exp.	\$ 1,000	\$ -	0.00	\$ 1,000	100.00
79	MPL Resource Contract Expense	\$ 178,457	\$ 89,229	50.00	\$ 89,228	50.00
80	MPL Rent Lease Contract Exp.	\$ 129,815	\$ 64,908	50.00	\$ 64,907	50.00
81	ILS Expense	\$ 36,450	\$ 18,225	50.00	\$ 18,225	50.00
82	MCFLS Catalog Cont Exp to MPL	\$ 271,255	\$ 135,628	50.00	\$ 135,627	50.00
83	Member Catalog Contract Exp.	\$ 163,716	\$ 81,858	50.00	\$ 81,858	50.00
84	MCFLS Collection Dev Tool Exp	\$ 23,800	\$ -	0.00	\$ 23,800	100.00
85	Internet Expense	\$ 20,500	\$ 6,588	32.14	\$ 13,912	67.86
86	Contingency Expense	\$ 29,451	\$ 3,405	11.56	\$ 26,046	88.44
87	LSTA Technology Grant Expense	\$ 11,200	\$ 6,095	54.42	\$ 5,105	45.58
88	Member Digital Content Exp (24)	\$ 256,414	\$ 232,301	90.60	\$ 24,113	9.40
89	Marketing	\$ 10,000	\$ 131	1.31	\$ 9,869	98.69
90	Marketing Consultant/Contract	\$ 40,500	\$ -	0.00	\$ 40,500	100.00
91	Cooperative Purchasing Sub Exp	\$ 2,000	\$ -	0.00	\$ 2,000	100.00
92	Member PC Mngmt License Ex	\$ 1,875	\$ -	0.00	\$ 1,875	100.00
93	Member MKE Mixer Exp (26)	\$ 1,400	\$ 25	1.79	\$ 1,375	98.21
94	<b>Total General Expenditures</b>	\$ 3,007,606	\$ 1,707,802	56.78	\$ 1,299,804	43.22
95						
96	<b>Special Expenditures</b>					
97	W. Milw Borrowing Exp (30)	\$ 49,079	\$ 49,079	100.00	\$ -	0.00
98	RB - MCFLS Payment Expense	\$ 1,085,020	\$ 1,085,020	100.00	\$ -	0.00
99	Ecommerce Expense (31)	\$ 200,000	\$ 80,721	40.36	\$ 119,279	59.64
100	<b>Total Special Expenditures</b>	\$ 1,334,099	\$ 1,214,820	91.06	\$ 119,279	8.94
101						
102	<b>Total Expenditures</b>	\$ 4,341,705	\$ 2,922,622	67.32	\$ 1,419,083	32.68
103						
104	<b>Revenues/Expenditures +/-</b>		\$ 1,143,244			

ATT B - June 2020 Financial Report



Draft 7/13/20



# Reporting and insights from 2019 audit:

Milwaukee County Federated  
Library System

December 31, 2019



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## Executive summary

We have completed our audit of the financial statements of the Milwaukee County Federated Library System (the System's) for the year ended December 31, 2019, and have issued our report thereon dated July 20, 2020. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of your System's operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

Additionally, we have included information on key risk areas Milwaukee County Federated Library System should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Wendi Unger, CPA, Partner: [wendi.unger@bakertily.com](mailto:wendi.unger@bakertily.com) or +1 (414) 777 5423

Sincerely,

Baker Tilly Virchow Krause, LLP

Wendi M. Unger, CPA, Partner

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THIS COMMUNICATION IS INTENDED SOLELY FOR THE INFORMATION AND USE OF THOSE CHARGED WITH GOVERNANCE, AND, IF APPROPRIATE, MANAGEMENT, AND IS NOT INTENDED TO BE AND SHOULD NOT BE USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES.



Draft 7/13/20

# Audit objectives

# Audit objectives

## Our responsibilities

As your independent auditor, our responsibilities include:




- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the System's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of those charged with governance:
  - Are free from material misstatement
  - Present fairly, in all material respects, and in accordance with accounting principles generally accepted in the United States of America
- Performing tests related to compliance with certain provisions of laws, regulations, contracts and grants, as required by *Government Auditing Standards*

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of those charged with governance, including:

- Qualitative aspects of the System's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant difficulties encountered
- Disagreements with management
- Corrected and uncorrected misstatements
- Internal control matters
- Significant estimates

Other findings or issues arising from the audit

## Management's responsibilities

Management	Auditor
 Prepare and fairly present the financial statements	Our audit does not relieve management or those charged with governance of their responsibilities
 Establish and maintain effective internal control over financial reporting and compliance with laws, regulations, contracts and grants	An audit includes consideration of internal control over financial reporting, but not an expression of an opinion on those controls
 Provide us with written representations at the conclusion of the audit	See Appendix B for a copy of management's representations



ATT C - 2019 MCFLS Audit  
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## Audit status

### Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

## Audit approach and results





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# Audit approach and results

## Planned scope and timing

### Audit focus

Based on our understanding of the System and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the System's current year results.

### Implementation of GASB No. 84 reporting fiduciary activities

During the current year, your government implemented GASB Statement No. 84 – *Fiduciary Activities*. This standard was issued to provide a clear foundation and reduce inconsistencies in reporting of fiduciary activities. Implementation of this standard required the evaluation of various activities and application of specific criteria to determine the fiduciary activities that required reporting. As a result of this standard you will note the following changes in your financial statements from prior years:

- Reclassification of agency fund activities into the general fund

## Key areas of focus and significant findings

### Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion

### Other key areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other key areas of emphasis		
Cash and investments	Revenues and receivables	General disbursements
Payroll	Pension and OPEB liabilities	Capital assets including infrastructure
Net position calculations	Financial reporting and required disclosures	

## Internal control matters

We considered the System's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements. We are not expressing an opinion on the effectiveness of the System's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 identified the following deficiencies as material weaknesses:

### **Inadequate Segregation of Duties**

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 government's assets or accounting records, and to achieve a higher likelihood that errors or irregularities in your accounting processes would be discovered by your staff in a timely manner.

At this time, due to staffing and financial limitations, the proper internal controls are not in place to achieve adequate segregation of duties. As a result, errors, irregularities or fraud could occur as part of the financial reporting process that may not be discovered by someone in your organization. Therefore, we are reporting a material weakness related to the internal control environment.

#### **– Missing Key Controls**

There are certain controls that are not currently in place related to significant transaction cycles. As a result, there is a risk that erroneous or unauthorized transactions or misstatements could occur without the knowledge of management or the governing body. Our recommendations for strengthening controls are listed below.

#### **Controls Over Payroll**

- Persons preparing the payroll should be independent of other personnel duties or restricted from access to the payroll account.
- Year-end accrued payroll is recorded to ensure proper cutoff between fiscal year, but this calculation should be reviewed and approved by an appropriate supervisor.

#### **Controls Over Monthly and Year-end Accounting**

- Adjusting journal entries and supporting documentation should be reviewed and approved by an appropriate person who is not the original preparer. In addition, we would recommend that all journal entries, when entered into the system, be printed, appropriate support attached and approval be obtained. These journal entries should be kept by month in a folder or binder.

- Account reconciliations prepared throughout the year should be performed by someone independent of processing transactions in the account.

Since the controls listed above or other compensating controls are not currently in place, errors or irregularities could occur as part of the accounting processes that might not be discovered by management or the governing body. Therefore, the absence of these controls is considered to be a material weakness.

We recommend that a designated employee review the segregation of duties, risks, and these potential controls and determine whether additional controls should be implemented. This determination should take into consideration a cost / benefit analysis.

- **Financial Statement Close Process**

Properly designed systems of internal control provide your organization with the ability to process and record accurate monthly and year-end transactions and annual financial reports.

Our audit includes a review and evaluation of the internal controls relating to financial reporting. Common attributes of a properly designed system of internal control for financial reporting are as follows:

- There is adequate staffing to prepare financial reports throughout the year and at year-end.
- Material misstatements are identified and corrected during the normal course of duties.
- Complete and accurate financial statements, including footnotes, are prepared.
- Financial reports are independently reviewed for completeness and accuracy.

Our evaluation of the internal controls over financial reporting has identified control deficiencies that are considered material weakness surrounding the preparation of financial statements and footnotes, adjusting journal entries identified by the auditors, and an independent review of financial reports.

Management has not prepared financial statements that are in conformity with generally accepted accounting principles.

## Required communications

### Qualitative aspect of 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 have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the System are described in Note 1 to the financial statements. As described in Note 1, the System accounting policies related to financial reporting for fiduciary activities by adopting Governmental Accounting Standards Board (GASB) No. 84 – *Fiduciary Activities*, effective January 1, 2019. We noted no transactions entered into by the System during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.
- Accounting estimates: Accounting estimates, including fair value 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, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Accrued compensated absences	Evaluation of hours earned and accumulated in accordance with employment policies and average wage per hour rates	Reasonable in relation to the financial statements as a whole
Net pension liability and related deferrals	Evaluation of information provided by the Wisconsin Retirement System	Reasonable in relation to the financial statements as a whole
Net/Total OPEB liability and related deferrals	Key assumptions set by management with the assistance of a third party actuary	Reasonable in relation to the financial statements as a whole
Depreciation	Evaluate estimated useful life of the asset and original acquisition value	Reasonable in relation to the financial statements as a whole

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates, noted above.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

### Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for the System or that otherwise appear to be unusual due to their timing, size or nature.

### **Difficulties encountered during the audit**

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

### **Disagreements with management**

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management's consultations with other accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

### **Written communications between management and Baker Tilly**

The Appendix includes copies of other material written communications, including a copy of the management representation letter.

### **Uncorrected misstatements and corrected 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.

Management has corrected all such misstatements.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually, or in the aggregate, to the financial statements taken as a whole.

### **Compliance with laws and regulations**

We did not identify any non-compliance with laws and regulations during our audit.

### **Fraud**

We did not identify any known or suspected fraud during our audit.

### **Going concern**

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the System's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date the financial statements are issued or available to be issued, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

### **Independence**

We are not aware of any relationships between Baker Tilly and the System that, in our professional judgment, may reasonably be thought to bear on our independence.

### **Related parties**

We did not have any significant findings or issues arise during the audit in connection with the System's related parties.

### **Other audit findings or issues**

We encountered no other audit findings or issues that require communication at this time.

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



## Nonattest services

The following nonattest services were provided by Baker Tilly:

- Financial statement preparation
- Adjusting journal entries

In addition, we prepared GASB No. 34 conversion entries which are summarized in the “Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position” and the “Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities” in the financial statements.

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.





**Draft 7/13/20**

# Accounting changes relevant to the System



# Accounting changes relevant to the System

## Future accounting standards updates

GASB Statement Number	Description	Potentially Impacts you	Effective Date
87	Leases	✓	12/31/20
89	Accounting for Interest Incurred before the End of a Construction Period	✓	12/31/20
91	Conduit Debt	✓	12/31/21

Further information on upcoming [GASB pronouncements](#)

## Preparing for the new lease standard

GASB's new single model for lease accounting will be effective for the upcoming year. This standard will require governments to identify and evaluate contracts that convey control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Contracts meeting the criteria for control, term and other items within the standard will result in recognizing a right to use asset and lease liability or a receivable and deferred inflow of resources.

We recommend the System review this standard and start planning now as to how this will affect your financial reporting. We recommend that you begin by completing an inventory of all contracts that might meet the definition of a lease. The contract listing should include key terms of the contracts such as:

- Description of contract
- Underlying asset
- Contract term
- Options for extensions and terminations
- Service components, if any
- Dollar amount of lease

In addition, the System should begin to establish a lease policy to address the treatment of common lease types, including a dollar threshold for each lease. We are available to discuss this further and help you develop an action plan.

Learn more about [GASB 87](#).

### **Planning for the new conduit debt reporting**

Conduit debt includes arrangements where there are three separate parties involved including a third party that is obligated for payment, a debt holder or lender and an issuing party which is often a government. This standard provides additional criteria for identifying and classifying conduit debt with the intent of providing consistency in how the debt is recorded and reported in governmental financial statements. The System should identify any existing debt arrangements involving third party obligors and evaluate how those arrangements will be reported under the new standard in order to determine the potential impact of this standard on future financial reporting.



Draft 7/13/20

# Trending challenges for organizations

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## Trending challenges for organizations

Management and the governing body of the System must keep the future in mind as they evaluate strategies to achieve future growth. Keeping a balance between risk and sustainability is key, and organizations need to think beyond their immediate needs to their long term goals. Economic uncertainty, coupled with key risk areas and fast paced technology change, make strategic planning complex. Begin the discussion with your management team to find your path to your future.

---

### Cybersecurity

#### Operational reporting on cybersecurity effectiveness

As boards engage management in cybersecurity risk discussions, directors should expect management to produce reports on the effectiveness of the organization's cybersecurity-risk management program. Management can (and should) collect and analyze relevant performance measures and metrics to determine if cybersecurity safeguards and controls are operating as intended, and whether any corrective action should be taken to strengthen management's risk-mitigation approaches. While not an exhaustive list, some key processes on which management should report include these:

- Incident management
- Risk management and governance
- Independent assurance on the cybersecurity program

[Learn more](#) about cybersecurity risk management.



[WATCH: On demand webinar about board governance over cybersecurity.](#)



Draft 7/13/20

## Appendix A: Client service team





## Client service team



**Wendi Unger, CPA**

**Partner**

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Milwaukee, WI 53202  
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Draft 7/13/20

## Appendix B: Management representation letter

July 20, 2020

Baker Tilly Virchow Krause, LLP  
777 E. Wisconsin Avenue  
32nd Floor  
Milwaukee, WI 53202

Dear Baker Tilly Virchow Krause, LLP:

We are providing this letter in connection with your audit of the financial statements of the Milwaukee County Federated Library System as of December 31, 2019 and for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Milwaukee County Federated Library System and the respective changes in financial position, where applicable, 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. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the primary government and all component units 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 financial statement 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) All known audit and bookkeeping adjustments have been included in our financial statements, and we are in agreement with those adjustments.
- 9) There are no known or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.
- 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 not completed an 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 provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.
- 20) The System has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 21) 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.
- 22) 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.
  - d) Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
  - e) Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.

23) In regards to the nonattest services performed by you listed below, we have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.

a) Financial statement preparation

b) Adjusting journal entries

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

24) The Milwaukee County 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) The Milwaukee County 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) The financial statements properly classify all funds and activities.

27) All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

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) The Milwaukee County 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) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

34) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).

35) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.

- 36) We have appropriately disclosed the Milwaukee County 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) We assume responsibility for, and agree with, the findings of specialists in evaluating the OPEB liability, deferred outflows and deferred inflows relate to the OPEB and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.
- 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.
- 40) We assume responsibility for, and agree with the information provided by the Department of Employee Trust Funds for the Local Retiree Life Insurance program as audited by the Legislative Audit Bureau relating to the net OPEB 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.
- 41) We have implemented GASB Statement No. 84, *Fiduciary Activities*, and believe that all fiduciary funds have been identified and properly classified in the financial statements in compliance with the Standard.

Sincerely,

Milwaukee County Federated Library System

Signed: \_\_\_\_\_  
Mr. Steven Heser

Signed: \_\_\_\_\_  
Mr. Paul Ziehler

Signed: \_\_\_\_\_  
Ms. Judy Kaniasty

Signed: \_\_\_\_\_  
Mr. Nick Kovac



Draft 7/13/20

## Appendix C: 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.
- c. 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 performed 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.
- d. 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.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*.

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 (a) 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, (b) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance and, (c) 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 in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

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 governing board 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. We anticipate that the System will receive an unmodified opinion on its financial statements.
- e. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- f. Have you had any significant communications with regulators or grantor agencies?
- g. 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 governing body concerning:

- a. The entity'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 financial audit work during the months of October-December, and sometimes early January. Our final financial fieldwork is scheduled during the late spring to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial 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 6-12 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.

**MILWAUKEE COUNTY FEDERATED LIBRARY  
SYSTEM**

Milwaukee County, Wisconsin

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2019

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

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## **INDEPENDENT AUDITORS' REPORT**

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## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

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## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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#### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of the Milwaukee County Federated Library System ("System") in Wisconsin conform to accounting principles generally accepted in the United States of America 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**

This report includes all of the funds of the Milwaukee County Federated Library 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 this criteria.

##### **B. SYSTEM-WIDE AND FUND FINANCIAL STATEMENTS**

###### ***System-Wide Financial Statements***

In January 2017, the GASB issued statement No. 84 – *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how these activities should be reported. This standard was implemented January 1, 2019.

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, charges for services and other nonexchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 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. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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#### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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##### ***B. SYSTEM-WIDE AND FUND FINANCIAL STATEMENTS (continued)***

##### ***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, deferred outflows, liabilities, deferred inflows of resources, net position/fund equity, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental funds financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Funds are organized as major funds or non-major funds within the governmental fund financial statements. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the System or meets the following criteria:

- a. Total assets/deferred outflows, liabilities/deferred inflows of resources, revenues, or expenditures of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. In addition, any other governmental fund that the System believes is particularly important to financial statement users may be reported as a major fund.

The System reports the following major governmental funds:

General Fund – accounts for the System’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund – used to account and report specific revenue sources (other than capital projects) that are legally restricted or committed to supporting expenditures for specified purposes. The System reports its Library Services and Technology Act (LSTA) grants in this fund.

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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#### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

###### ***System-Wide Financial Statements***

The system-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.

As a general rule, the effect of interfund activity has been eliminated from the system-wide financial statements. Exceptions to this general rule are charges between various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

###### ***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 to 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 eligible requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include investment income. Other miscellaneous 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 outflow 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.

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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#### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

###### ***1. Deposits and Investments***

Investment of the Systems funds are restricted by state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company.
- b. Bonds or securities of any county, city, drainage district, technical college district, System, 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, or by the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

The System has not adopted an investment policy.

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 difference between the bank balance and carrying value is due to outstanding checks and deposits in transit.

See Note III.A. for further information.

###### ***2. Receivables***

Accounts receivable have been shown at the gross amount. No allowance for uncollectible accounts is deemed necessary.

###### ***3. Prepaid Items***

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



## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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#### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### ***4. Capital Assets***

###### ***System-Wide Financial Statements***

Capital assets, which include property, plant and equipment and software are reported in the System-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of 1 year. All capital assets are valued 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/amortization of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation/amortization reflected in the statement of net position. Depreciation/amortization is provided over the assets' estimated useful lives using the straight-line method of depreciation/amortization. The System depreciates/amortizes its software and equipment over useful lives of 3 to 5 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.

##### ***5. 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.

##### ***6. Compensated Absences***

Compensated absences is an estimated liability for sick leave (payable upon retirement) and vacation time for all employees. The System will also provide health insurance benefits to eligible employees upon their retirement. Any employee hired on or after January 1, 2004 is not eligible for any health insurance coverage for the period of time between the end of active service and eligibility for Medicare or age 65. As of December 31, 2019, there were two active employees accruing the health insurance benefit.

##### ***7. Long-Term Obligations***

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term obligations consist of installment loans payable.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debt is reported as other financing sources and payments of principal and interest are reported as expenditures.

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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#### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### ***8. 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.

##### ***9. Equity Classifications***

##### ***System–Wide Financial 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 (excluding unspent bond proceeds) of any bonds, mortgages, 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 positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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 Financial Statements***

Governmental fund equity is classified as fund balance and 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 (resolution) of the System. 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 System that originally created the commitment.

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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#### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

#### ***9. Equity Classifications*** (continued)

#### ***Fund Financial Statements*** (continued)

- 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. Fund balance may be assigned through the following; 1) The System has adopted a financial policy authorizing the Administrator to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. 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.

#### ***10. Pensions***

For purposes of measuring the net pension 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 to/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.

#### ***11. Other Postemployment Benefits***

For purposes of measuring the total OPEB liability - health, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, the System OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms.

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

#### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 11. *Other Postemployment Benefits* (continued)

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIFs fiduciary net position have been determined on the same basis as they are reported by LRLIF. 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 – DETAILED NOTES ON ALL FUNDS

##### A. *DEPOSITS AND INVESTMENTS*

The System's cash and investments at year end were comprised of the following:

	Carrying Value	Bank Balance	Associated Risks
Demand deposits	\$ 720,850	\$ 745,508	Custodial Credit Concentration of
Trust accounts	2,195,035	2,191,916	Credit Risk
Petty cash	50	-	
Total Cash and Investments	<u>\$ 2,915,935</u>	<u>\$ 2,937,424</u>	

Reconciliation to financial statements

Per statement of net position

Unrestricted cash and investments \$ 2,915,935

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), \$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 government 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 municipalities. This coverage has been considered in computing custodial credit risk.

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

#### NOTE II – DETAILED NOTES ON ALL FUNDS (CONTINUED)

##### A. DEPOSITS AND INVESTMENTS (continued)

Milwaukee County holds and invests the System's State Aid in an agency account. The balance at December 31, 2019 was \$2,195,035. Information by investment type and maturities for December 31, 2019 is that approximately 77.7% was invested in Government and Government Agency Guaranteed Adjustable Rate and U.S. Agency Securities, U.S. Treasuries and Money Market Funds; almost all with maturities of 5 years or less and rated "AAA" by both Standard & Poor's and Moody's Investor Service.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments are considered all level 1 for U.S. Treasuries and level 2 for all others.

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County's written investment policy states that investments held by the County shall be diversified to control the risk of loss from over concentration and also the type of investment. The policy also places limits on the percentage of the portfolio that may be invested in each type of investment. At December 31, 2019, the County is not exposed to concentration of credit risk.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the System will not be able to recover deposits. Neither the System nor the County has a deposit policy for custodial credit risk. At December 31, 2019, there were no cash and investments held by the County that were uninsured and uncollateralized and exposed to custodial credit risk.

##### B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year.

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current year, the various components of *unavailable* revenue and *unearned* revenue reported in the governmental funds were as follows:

	Unearned	Unavailable
State aids for subsequent year	\$ 2,141,489	\$ -
Other receivables	-	8,645
Total Unearned/Unavailable Revenue for Government Funds	<u>\$ 2,141,489</u>	<u>\$ 8,645</u>



## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

#### **NOTE II – DETAILED NOTES ON ALL FUNDS (continued)**

##### **C. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital Assets Being Depreciated/Amortized:				
Equipment	\$ 251,526	\$ 65,069	\$ (35,960)	\$ 280,635
Software	1,569,098	-	-	1,569,098
Less: Accumulated Depreciation/Amortization for:				
Equipment and software	<u>(1,782,742)</u>	<u>(33,006)</u>	<u>35,960</u>	<u>(1,779,788)</u>
 Total Capital Assets, Net of Accumulated Depreciation/Amortization	 <u>\$ 37,882</u>	 <u>\$ 32,063</u>	 <u>\$ -</u>	 <u>\$ 69,945</u>

Depreciation/amortization expense was charged to functions as follows:

##### **Governmental Activities** Library

\$ 33,006

##### **D. LONG-TERM OBLIGATIONS**

Long-term obligations activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities</b>					
Compensated absences	\$ 82,479	\$ 40,559	\$ 34,278	\$ 88,760	\$ 45,000
Total OPEB - Single employer	224,064	22,564	-	246,628	-
Net OPEB - LRLIF	27,047		7,276	19,771	-
Net pension liability	-	86,315	-	86,315	-
	<u>\$ 333,590</u>	<u>\$ 149,438</u>	<u>\$ 41,554</u>	<u>\$ 441,474</u>	<u>\$ 45,000</u>

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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#### NOTE II – DETAILED NOTES ON ALL FUNDS (continued)

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##### ***E. FUND BALANCES***

##### ***Governmental Funds***

Governmental fund balances reported on the fund financial statements at December 31, 2019 include the following:

<b>Nonspendable</b>	
General Fund	
Prepaid items	\$ 11,817
<b>Unassigned (deficit)</b>	
General Fund - Library Operations	\$ (384,948)

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end. The general fund had a deficit fund balance of \$373,131. This deficit will be funded by future intergovernmental revenue and/or cost savings.

##### ***F. LEASES***

Milwaukee County Federated Library System has a lease with the City of Milwaukee for their facility located in the Milwaukee Public Library under an agreement that expires December 31, 2021. The annual rent payment was \$129,815 for 2019.

##### ***G. RECIPROCAL BORROWING***

The System extends interlibrary loan services to its members. The System accrued a general fund liability for \$1,134,099 in accordance with the members' agreement. The System will contribute 38%, of total state aid designated for 2019 and 2020 as the sum of all reciprocal borrowing payments to be distributed during the following year.

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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#### NOTE III – OTHER INFORMATION

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##### **A. EMPLOYEES' RETIREMENT SYSTEM**

###### ***General Information about the Pension Plan***

**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. 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.

EFT issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.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 credible service to be vested.

**Benefits provided.** Employees who retire at or after age 65 (54 for protective occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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#### NOTE III – OTHER INFORMATION (continued)

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##### A. EMPLOYEES' RETIREMENT SYSTEM (continued)

**Post-retirement adjustments.** The Employee Trust Fund 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:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
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	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17

**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. 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 \$22,557 in contributions from the System.

Contribution rates for the plan year reported as of December 31, 2019 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Executives & Elected Officials)	6.7%	6.7%

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

#### NOTE III – OTHER INFORMATION (continued)

##### A. EMPLOYEES' RETIREMENT SYSTEM (continued)

##### ***Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At December 31, 2019, the System reported a liability of \$86,315 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. 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 liability was based on the system's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the System's proportion was .00242616%, which was a decrease of .00012866% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2019, the System recognized pension expense of \$57,682.

At December 31, 2019, 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	\$ 67,226	\$ 118,832
Changes of actuarial assumptions	14,549	-
Net differences between project and actual earnings on pension plan	126,057	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,040	386
Employer contributions subsequent to the measurement date	<u>24,536</u>	<u>-</u>
Total	<u>\$ 234,408</u>	<u>\$ 119,218</u>

\$24,536 was 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 liability in the year ended December 31, 2020. 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)
2020	\$ 33,423
2021	8,659
2022	14,123
2023	34,449



## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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#### NOTE III – OTHER INFORMATION (continued)

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##### A. EMPLOYEES' RETIREMENT SYSTEM (continued)

**Actuarial assumptions.** The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2017
Measurement date of net pension asset	December 31, 2018
Actuarial cost method	Entry Age
Asset valuation method	Fair Value
Long-term expected rate of return	7.0%
Discount rate	7.0%
Salary increases	
Inflation	3.0%,
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Post-retirement adjustments	1.9%

*\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% 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 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total Pension Liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The Total Pension Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

**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:

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

#### NOTE III – OTHER INFORMATION (continued)

##### A. EMPLOYEES' RETIREMENT SYSTEM (continued)

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	49.0%	8.1%	5.5%
Fixed Income	24.5	4.0	1.5
Inflation Sensitive Assets	15.5	3.8	1.3
Real Estate	9.0	6.5	3.9
Private Equity/Debt	8.0	9.4	6.7
Multi-Asset	4.0	6.7	4.1
Total Core Fund	110	7.3	4.7
Variable Fund Asset Class			
US Equities	70	7.6	5
International Equities	30	8.5	5.9
Total Variable Fund	100	8	5.4

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%  
Asset allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

**Single Discount rate.** A single discount rate of 7.00% was used to measure the Total Pension Liability, as opposed to a discount rate of 7.20% for the prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% 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 municipal bond 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 Systems' proportionate share of the net pension liability (asset) to changes in the discount rate.** The following presents the System's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0 percent, as well as what the System's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0percent) than the current rate:

	1% Decrease to Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase to Discount Rate (8.0%)
System proportionate share of the net position liability (asset)	\$ 343,025	\$ 86,315	\$ (104,568)

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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#### **NOTE III – OTHER INFORMATION (continued)**

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##### ***B. RISK MANAGEMENT***

The 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 and proprietary funds as expenses when the related liabilities are incurred.

From time to time, the System may be 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 and the System attorney 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.

The System has signed an agreement with Action Logistics, LLC to provide sorting and delivery of System materials between the member libraries of the System. The agreement ends December 31, 2019 with a provision to renew for two years and has a daily rate of \$1,092 plus an allowable fuel charge. The total cost of the agreement for the year ended December 31, 2019 was \$282,413.

##### ***D. ECONOMIC DEPENDENCY***

The System is economically dependant on funding from state aids revenue of approximately \$2,855,318 which assists in financing the systems operating costs.

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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#### NOTE III – OTHER INFORMATION (continued)

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##### ***E. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - SINGLE EMPLOYER***

###### ***General Information about the OPEB plan***

The System has a single-employer defined benefit healthcare plan. The plan is administered by the Wisconsin Public Employers (WPE) Group Health Insurance Program. The plan provides medical insurance benefits to active employees and eligible retirees and their spouses until eligible for Medicare at the age of 65. The plan does not issue a publicly available financial report.

The plan is funded on a pay-as-you-go basis. For 2019, there were two active employees accruing benefits. The system made no contributions for 2019.

###### ***Total OPEB Liability***

The System's total OPEB liability of \$246,628 was measured as of December 31, 2019 using the alternative measurement method for a single employer that provides OPEB through a defined benefit plan not administered through a trust.

*Assumptions and other inputs.* The total OPEB liability was determined using an inflation rate of 2% and a discount rate of 1.09%. The discount rate was determined using the average of the last five years of data for short-term adjusted AFR (applicable federal rates) from the Internal Revenue Code.

###### ***Changes in Total OPEB Liability***

The changes in the total OPEB liability as of December 31, 2019, was as follows:

Balance, December 31, 2018	\$ 224,064
Changes for the year:	
Service Costs	34,603
Change in discount rate	(12,039)
Balance, December 31, 2019	<u>\$ 246,628</u>

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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#### NOTE III – OTHER INFORMATION (continued)

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##### **F. OTHER POSTEMPLOYMENT BENEFITS - LRLIF**

**Plan description.** The LRLIF is a multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Life Insurance Board have statutory authority for program administration and oversight. The plan provides post-employment life insurance benefits for all eligible employees.

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.

**Benefits provided.** The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

**Contributions.** The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a post-retirement benefit.

Employers are required to pay the following contribution based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates for the plan year reported as of December 31, 2019 are:

<u>Coverage Type</u>	<u>Employer Contributions</u>
50% Post Retirement Coverage	40% of employee contribution
25% Post Retirement Coverage	20% of employee contribution

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active).

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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#### NOTE III – OTHER INFORMATION (continued)

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##### ***F. OTHER POSTEMPLOYMENT BENEFITS - LRLIF*** (continued)

The employee contribution rates in effect for the plan year are as listed below:

Life Insurance Employee Contribution Rates For the Plan Year	
Attained Age	Basic
Under 30	\$0.05
30-34	0.06
35-39	0.07
40-44	0.08
45-49	0.12
50-54	0.22
55-59	0.39
60-64	0.49
65-69	0.57

During the reporting period, the LRLIF recognized \$147 in contributions from the employer.

##### ***OPEB Liability, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs***

At December 31, 2019, the System reported a liability of \$19,771 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. 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 OPEB liability was based on the System's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2019, the System's proportion was 0.00766200% which was a decrease of 0.00132800% from its proportion measured as of December 31, 2018.

For the year ended December 31, 2019, the System recognized OPEB expense of \$2,058



## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

#### NOTE III – OTHER INFORMATION (continued)

##### **F. OTHER POSTEMPLOYMENT BENEFITS - LRLIF** (continued)

At December 31, 2019, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,003
Net Differences between projected and actual earnings on OPEB plan investments	1,886	4,285
Changes in assumptions	472	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,516	3,113
Employer contributions subsequent to the measurement date	204	-
Total	<u>\$ 5,078</u>	<u>\$ 8,401</u>

\$204 reported as deferred outflows related to OPEB resulting from the LRLIF Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2020	\$ (440)
2021	(440)
2022	(440)
2023	(507)
2024	(575)
Thereafter	(1,125)

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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#### NOTE III – OTHER INFORMATION (continued)

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##### **F. OTHER POSTEMPLOYMENT BENEFITS - LRLIF** (continued)

**Actuarial assumptions.** The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Actuarial Valuation Date:	January 1, 2018
Measurement Date of Net OPEB Liability	December 31, 2018
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield	4.10%
Long-Term Expected Rate of Return:	5.00%
Discount Rate:	4.22%
Salary Increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the Total OPEB Liability changed from prior year, including the discount rate, wage inflation rate, mortality and separation rates. The Total OPEB Liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

**Long-term expected Return on Plan Assets.** The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

#### NOTE III – OTHER INFORMATION (continued)

##### **F. OTHER POSTEMPLOYMENT BENEFITS - LRLIF** (continued)

##### Local OPEB Life Insurance Asset Allocation Targets and Expected Returns As of December 31, 2018

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return %
US Government Bonds	Barclays Government	1%	1.44%
US Credit Bonds	Barclays Credit	40%	2.69%
US Long Credit Bonds	Barclays Long Credit	4%	3.01%
US Mortgages	Barclays MBS	54%	2.25%
US Municipal Bonds	Bloomberg Barclays Muni	1%	1.68%
Inflation			2.30%
Long-Term Expected Rate of Return			5.0%

**Single Discount rate.** A single discount rate of 4.22% was used to measure the Total OPEB Liability for the current year, as opposed to a discount rate of 3.63% for the prior year. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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#### NOTE III – OTHER INFORMATION (continued)

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##### **F. OTHER POSTEMPLOYMENT BENEFITS - LRLIF** (continued)

**Sensitivity of the System's proportionate share of the net OPEB liability to changes in the discount rate.** The following presents the System's proportionate share of the net OPEB liability calculated using the discount rate of 4.22 percent, as well as what the System's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.22 percent) or 1-percentage-point higher (5.22 percent) than the current rate:

	1% Decrease to Discount Rate (3.22%)	Current Discount Rate (4.22%)	1% Increase to Discount Rate (5.22%)
Proportionate share of the net OPEB liability	\$ 28,125	\$ 19,771	\$ 13,327

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

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2019

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#### **NOTE III – OTHER INFORMATION (continued)**

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##### ***G. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS***

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

- Statement No. 87, Leases
- 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
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus
- Statement No. 93, Replacement of Interbank Offered Rates
- Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements

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

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2019

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#### ***BUDGETARY INFORMATION***

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting.

All annual appropriations lapse at year-end unless specifically carried over by the Board of Trustees. Budgetary control is exercised at the total fund level.

#### ***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.* Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total Pension Liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.

#### ***OTHER POSTEMPLOYMENT BENEFITS - LOCAL RETIREE LIFE INSURANCE FUND***

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 LRLIF.

*Changes in assumptions.* Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 – 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop Total OPEB Liability changed, including the discount rate, wage inflation rate, and mortality and separation rates.

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

To the Board of Trustees  
Milwaukee County Federated Library System  
Milwaukee County, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Milwaukee County Federated Library System, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Milwaukee County Federated Library System's basic financial statements, and have issued our report thereon dated July XX, 2020.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Milwaukee County 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 Milwaukee County Federated Library System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Milwaukee County Federated Library System's internal control over financial reporting.

*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 Milwaukee County Federated Library System financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses to be material weaknesses. These material weakness are items 2019-001 and 2019-002.



To the Board of Trustees  
Milwaukee County Federated Library System

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Milwaukee County 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*.

### ***Milwaukee County Federated Library System's Response to Findings***

The Milwaukee County Federated Library System's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Milwaukee County 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 them.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Milwaukee County Federated Library System'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.

Milwaukee, Wisconsin  
July XX, 2020

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### SCHEDULE OF FINDINGS AND RESPONSES As of and for the Year Ended December 31, 2019

<b>Finding reference number:</b>	2019-001
<b>Finding title:</b>	Lack of segregation of duties
<b>Criteria:</b>	Management is responsible for establishing and maintaining effective internal control over financial reporting, the selection of accounting principles and the safeguarding of assets. Proper segregation of duties provides a system of checks and balances on the accounting system and reduces the risk of errors and irregularities, both intentional and unintentional.
<b>Condition:</b>	The size of the System's office staff precludes an adequate segregation of accounting and reporting functions necessary to ensure an adequate internal control system. The System primarily operates its accounting and reporting function with one individual.
<b>Context:</b>	The System operates its accounting and reporting function with principally one individual which precludes a proper segregation of duties between the physical custody of assets and the related recordkeeping.
<b>Effect:</b>	Errors or irregularities could occur and not be detected in a timely manner.
<b>Cause:</b>	The System has a limited number of staff.
<b>Recommendations:</b>	Management should determine if the benefits achieved by resolving this internal control deficiency warrants the additional costs that would be required to remedy the current conditions.
<b>Management's response:</b>	Management concurs with the finding and has determined that the economic cost of addressing this issue out weighs the benefits to be achieved at this time. Management will continue to operate its accounting and reporting functions with one individual. Management will continue to monitor and supervise the accounting and reporting functions.

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

### SCHEDULE OF FINDINGS AND RESPONSES As of and for the Year Ended December 31, 2019

<b>Finding reference number:</b>	2019-002
<b>Finding title:</b>	Internal control over financial reporting – financial statement preparation
<b>Criteria:</b>	Statement on Auditing Standards No.115 requires the communication of significant deficiencies and material weaknesses in the year end reporting process.
<b>Condition:</b>	The System's personnel do not have the necessary technical expertise in governmental accounting and reporting to prepare the financial statements in accordance with generally accepted accounting principles.
<b>Effect:</b>	Information provided to management throughout the year may not be presented in accordance with generally accepted accounting principles.
<b>Cause:</b>	Due to staffing and financial limitations, the System chooses to contract with the auditors to prepare the annual financial statements.
<b>Recommendations:</b>	Management should evaluate the cost benefit relationship of continuing to use the services of the audit firm to prepare financial statements. Management should continue to review and closely monitor the financial affairs of the organization.
<b>Management's response:</b>	Management agrees with the finding and has determined that due to the small size of the organization and the limited number of accounting and administrative personnel, it is not cost effective to hire additional personnel or use the services of another CPA firm to prepare the organization's financial statements.

1					
2		<b>2020 Approved</b>	<b>2020 Budget Revision</b>	<b>Change</b>	<b>Notes</b>
3	<b>General Revenues</b>				
4	State Aid Revenue	\$ 2,855,319	\$ 2,855,319	\$ -	
5	Milwaukee County Allocation	\$ 66,650	\$ 66,650	\$ -	
6	West Milwaukee Contract -Other	\$ 47,466	\$ 47,466	\$ -	
7	Interest on Invested Funds	\$ 7,500	\$ 15,000	\$ 7,500	Q1 interest reported at \$7,404
8	Member Forms/Supplies Revenue	\$ 20,000	\$ 20,000	\$ -	
9	Member Postage Revenue	\$ 25,000	\$ 25,000	\$ -	
10	Member OCLC Revenue	\$ 121,591	\$ 121,591	\$ -	
11	Member Telecomm. Revenue	\$ 16,800	\$ 16,800	\$ -	
12	Member III Softwre Maint-Basic	\$ 179,267	\$ 179,267	\$ -	
13	Member III Softwre Maint-Other	\$ 46,709	\$ 47,137	\$ 428	Correction
14	Member Tech. Assist.-Time Rev.	\$ 15,000	\$ 25,000	\$ 10,000	Change based on current revenue of 15,000 as of 6/20
15	Member Special Projects Revenu	\$ 80,000	\$ 80,000	\$ -	
16	Member Cataloging Contract Rev	\$ 163,716	\$ 163,716	\$ -	
17	Member Database Revenue	\$ 62,174	\$ 62,160	\$ (14)	Correction
18	Member Catalog Enhancement Rev	\$ 29,648	\$ 29,648	\$ -	
19	Member Ecommerce Transaction	\$ 10,000	\$ 10,000	\$ -	
20	TNS Calls/Notices Revenue	\$ 1,260	\$ 1,260	\$ -	
21	Carryover Revenue	\$ 35,000	\$ 12,184	\$ (22,816)	Lower carryover than anticipated
22	Staff Benefits/Co-Pay Revenue	\$ 37,967	\$ 37,991	\$ 24	Correction
23	Member Digital Content Rev	\$ 256,414	\$ 256,413	\$ (1)	Correction
24	Member PC Management License Rev	\$ 2,545	\$ 2,545	\$ -	
25	LSTA Technology Grant Revenue	\$ 11,200	\$ 43,266	\$ 32,066	Passthrough. Additional CARES Act grant funding offered through DPI
26	MemberMKE Mixers Revenue	\$ 1,400	\$ 1,400	\$ -	
27	Member Replacement Fines Revenue	\$ -	\$ 10,500	\$ 10,500	New pass through amount redistributed to member libraries
28	Member OverDrive Advantage Rev	\$ -	\$ 20,000	\$ 20,000	New pass through amount; represents MPL Advantage purchases
29	<b>Total General Revenues</b>	\$ 4,092,626	\$ 4,150,313	\$ 57,687	
30					
31	<b>Special Revenues</b>				
32	W. Milwaukee Borrowing Revene	\$ 49,079	\$ 49,079	\$ -	
33	Ecommerce Revenue	\$ 200,000	\$ 200,000	\$ -	
34	<b>Total Special Revenues</b>	\$ 249,079	\$ 249,079	\$ -	
35					
36	<b>Total Revenues</b>	\$ 4,341,705	\$ 4,399,392	\$ 57,687	
37					
38					
39		<b>2020 Draft</b>		<b>Change</b>	
40					
41	<b>General Expenditures</b>				
42	Fringe Benefits Expense	\$ 183,573	\$ 189,891	\$ 6,318	Correction due to calculation error
43	Salaries Expense	\$ 381,639	\$ 381,639	\$ -	
44	Telephone Renewal Expense	\$ 612	\$ 612	\$ -	
45	Member Ecommerce Transaction E	\$ 10,000	\$ 10,000	\$ -	
46	TNS Calls/Notices Expense	\$ 1,260	\$ 1,260	\$ -	
47	Mileage/Auto Maint Expense	\$ 700	\$ 700	\$ -	
48	Conference/Training Expense	\$ 6,500	\$ 3,000	\$ (3,500)	Cost savings due to lower conference attendance
49	Memberships Expense	\$ 5,000	\$ 5,000	\$ -	
50	Continuing Education Expense	\$ 9,000	\$ 9,000	\$ -	
51	Office Supplies Expense	\$ 1,000	\$ 1,500	\$ 500	Increase due to pandemic costs/remote work
52	Copy Machine Maint. Expense	\$ 2,500	\$ 1,750	\$ (750)	Decrease due to remote work
53	MCFLS Printing Expense	\$ 500	\$ 500	\$ -	
54	MCFLS Printing for Mem Expense	\$ 5,000	\$ 2,500	\$ (2,500)	Lowered printing costs
55	MCFLS WI Pub Lib Consortium Ex	\$ 5,605	\$ 5,605	\$ -	
56	MCFLS Buying Pool	\$ 135,000	\$ 148,000	\$ 13,000	Increased to account for MCFLS share of hoopla costs
57	MCFLS Database Expense	\$ 21,700	\$ 21,700	\$ -	
58	Member Database Expense	\$ 62,174	\$ 62,160	\$ (14)	Correction
59	MCFLS Catalog Enhancement Expe	\$ 84,799	\$ 84,799	\$ -	
60	Member Catalog Enhancement Exp	\$ 29,648	\$ 29,648	\$ -	
61	MCFLS Postage Expense	\$ 600	\$ 600	\$ -	
62	Member Postage Expense	\$ 25,000	\$ 25,000	\$ -	
63	Member Forms/Supplies Expense	\$ 20,000	\$ 20,000	\$ -	
64	Telephone Expense	\$ 5,000	\$ 5,000	\$ -	
65	Meetings Expense	\$ 500	\$ 500	\$ -	
66	Insurance Expense	\$ 11,700	\$ 11,429	\$ (271)	Actual cost
67	Legal Expense	\$ 500	\$ 3,450	\$ 2,950	Legal work done on vetting privacy policy for system/members
68	Audit Expense	\$ 12,250	\$ 13,000	\$ 750	Additional fee
69	Payroll Service Expense	\$ 5,200	\$ 5,200	\$ -	
70	III Software Support Expense	\$ 225,976	\$ 231,298	\$ 5,322	Correction
71	III Telephone Notification Subscr Exp	\$ 12,224	\$ 12,224	\$ -	
72	Member Telecomm. Expense	\$ 16,800	\$ 16,800	\$ -	
73	MCFLS Telecomm. Maint. Expense	\$ 5,000	\$ 3,250	\$ (1,750)	Decreased to reflect cost of firewall license
74	OCLC Expense	\$ 135,047	\$ 135,047	\$ -	

75	MCFLS Computer Room Equipment	\$ 5,000	\$ 3,500	\$ (1,500)	Reduction based on 2020 expenses
76	MCFLS Software Expense	\$ 3,000	\$ 1,500	\$ (1,500)	Reduction based on 2020 expenses
77	MCFLS Equipment Expense	\$ 6,000	\$ 8,000	\$ 2,000	Increased to accommodate 300 additional delivery bins
78	Member Special Projects Expens	\$ 80,000	\$ 80,000	\$ -	
79	Sorting and Delivery Expense	\$ 291,700	\$ 291,700	\$ -	
80	South Central Delivery Expense	\$ 22,066	\$ 22,066	\$ -	
81	Auto Payment/Maintenance Exp.	\$ 1,000	\$ 1,000	\$ -	
82	MPL Resource Contract Expense	\$ 178,457	\$ 178,457	\$ -	
83	MPL Rent Lease Contract Exp.	\$ 129,815	\$ 129,815	\$ -	
84	ILS Expense	\$ 36,450	\$ 36,450	\$ -	
85	MCFLS Catalog Cont Exp to MPL	\$ 271,255	\$ 271,255	\$ -	
86	Member Catalog Contract Exp.	\$ 163,716	\$ 163,716	\$ -	
87	MCFLS Collection Dev Tool	\$ 23,800	\$ 24,752	\$ 952	Cost increase from vendor received 4/20
88	Internet Expense	\$ 20,500	\$ 20,500	\$ -	
89	Contingency Expense	\$ 29,451	\$ 37,865	\$ 8,414	
90	Member Digital Content Exp	\$ 256,414	\$ 256,414	\$ -	
91	Marketing	\$ 10,000	\$ 5,000	\$ (5,000)	Reduction based on lowered use
92	Marketing Consultant/Contract Exp	\$ 40,500	\$ 12,000	\$ (28,500)	RFP delay and lowered costs for marketing consultant in 2020
93	Cooperative Purchasing Sub Exp	\$ 2,000	\$ 2,200	\$ 200	Additional library joined for 2020/2021
94	Member PC Management License Exp	\$ 1,875	\$ 1,875	\$ -	
95	LSTA Technology Grant Expense	\$ 11,200	\$ 43,266	\$ 32,066	Pass through from line 25
96	Member MKE Mixer Expense	\$ 1,400	\$ 1,400	\$ -	
97	Member Replacement Fines Exp	\$ -	\$ 10,500	\$ 10,500	Pass through from line 27
98	Member OverDrive Advantage Exp	\$ -	\$ 20,000	\$ 20,000	Pass through from line 28
99	<b>Total General Expenditures</b>	<b>\$ 3,007,606</b>	<b>\$ 3,065,293</b>	<b>\$ 57,687</b>	
100					
101	<b>Special Expenditures</b>				
102	W. Milwaukee Borrowing Expense	\$ 49,079	\$ 49,079	\$ -	
103	RB - MCFLS Payment Expense	\$ 1,085,020	\$ 1,085,020	\$ -	
104	Ecommerce Expense	\$ 200,000	\$ 200,000	\$ -	
105	Sierra Server Implementation	\$ -	\$ -	\$ -	
106	<b>Total Special Expenditures</b>	<b>\$ 1,334,099</b>	<b>\$ 1,334,099</b>	<b>\$ -</b>	
107					
108	<b>Total Expenditures</b>	<b>\$ 4,341,705</b>	<b>\$ 4,399,392</b>	<b>\$ (57,687)</b>	
109					
110					
111	<b>Revenue/Expenditures +/-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

July 20th, 2020

To: MCFLS Board of Trustees

From: Steve Heser, MCFLS Director

Re: 2020 Mid-year Revised Budget

An explanation of the major changes to the mid-year budget for 2020:

#### Revenues

- Line 7—interest on invested funds reported for first quarter at \$7,404. We conservatively estimate the budgeted revenue from interest will at least double for the remainder of 2020.
- Line 14—this line represents revenue received from members for the time spent by our network administrator in installing and implementing new equipment at libraries. The \$15,000 estimate has already been surpassed and we've conservatively added \$10,000 in revenue for the remainder of 2020.
- Line 21: carryover amount from 2019 reduced from \$35,000 to audit amount of \$12,184.
- Line 25— passthrough line (95). Additional CARES Act grant funding offered through DPI. This line represents funding for several grants including connectivity, wireless access points and cybersecurity training.
- Line 27— passthrough line (97). This line is required for the new accounting process used to invoice and reimburse libraries for netted replacement charges on materials paid at member libraries.

#### Expenditures

- Line 42 – A calculation error in the 2020 estimate for fringe benefit expenses requires us to expend additional funding in this area.
- Line 48—Conference/training expense cut in half due to lower conference attendance.
- Line 56—MCFLS buying pool line increased to account for the system share of increased hoopla costs from March to May 2020.
- Line 67—Legal expenses increased due to review of privacy policies for both system and members.
- Line 77—MCFLS equipment line increased to account for \$6,000 in additional expense to purchase delivery bins.
- Line 89—Contingency line increased to assist with pandemic related costs for the remainder of 2020.
- Line 92—Marketing consultant and contract worker. Line reduced to \$12,000 to reflect new scope of RFP document and delay in selecting consultant and contract worker.



709 North Eighth Street  
Milwaukee, WI 53233

PH: 414-286-8149

FAX: 414-286-3209

## REQUEST FOR PROPOSAL

### *Marketing Services Consultant*

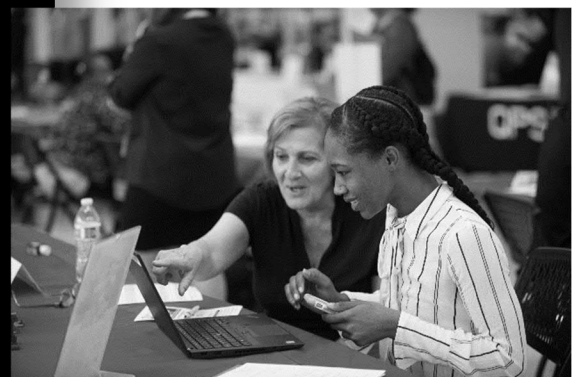
#### 1. OVERVIEW

The Milwaukee County Federated Library System (the System) is seeking proposals from an organization with marketing expertise to create a marketing plan to raise general awareness of and advocacy for the System and its member libraries. Experience in identifying data collection needs is also highly desirable. The selected organization will work with the System's Marketing and Advocacy Committee (MAC) to create a plan that works to achieve a number of outcomes specified in the [System's 2020-2024 Strategic Plan](#).

The contract with the selected organization will be managed by the System Director. Proposals must be received by **XXXXXX**. The System will review proposals and expects to select an organization based upon a proposal document and references, then negotiate and sign a contract by **XXXXXX**. The contract will be for a one-year period, with a one-year renewal option.

#### 2. BACKGROUND

The Milwaukee County Federated Library System (MCFLS) consists of 15 member libraries, 18 communities, and 27 library buildings serving 950,000 county residents. MCFLS is a unique system in Wisconsin because every resident is served directly through a municipal library in their community.





Because of the system's small geographic area and dense population, MCFLS member libraries work together closely to meet the needs of residents who often don't notice or understand the differences between each library. MCFLS facilitates a variety of shared services that all libraries take part in and from which all Milwaukee County library users benefit, including delivery of material between libraries, access to high quality e-resources, and a robust shared catalog. Given this environment, member libraries recognize the value in marketing system services to all users.



As a result of a 2019 strategic planning process, MCFLS formed a Marketing and Advocacy Committee made up of system and member library staff, with several marketing specialists providing expertise and guidance to the committee. This committee is focused on providing public awareness, voice and visibility for the System and its member libraries' services and resources and, more broadly, the value and opportunities public libraries provide to our communities. In pursuit of these goals, the System and MAC recognize the need for a marketing plan which will work in tandem with the System's 2020-2024 Strategic Plan.

### **3. SCOPE OF WORK AND DELIVERABLES**

#### **Scope of work**

The selected organization will work closely with the MAC to analyze and identify System-level marketing priorities within the MCFLS 2020-2024 Strategic Plan ([available here in its entirety](#)), in an effort to create a comprehensive marketing plan that will work alongside and help accomplish the goals of the Strategic Plan including, but not limited to, developing marketing toolkits for member libraries and identifying data collection needs to inform future marketing efforts.

## **Deliverables**

A multi-year marketing plan focused on promoting MCFLS shared library services and resources. Development of the plan will also include identification of data collection needs and methods of evaluation.

## **4. TIMELINE**

XXXX, 2020	RFP Issued
XXXX, 2020	Questions due by noon (CDT)
XXXX, 2020	Proposals due
XXXX week	Proposal review, vendor selection
XXXX week	Negotiation and contract finalization
XXXX	Work commences

## **5. QUESTIONS REGARDING RFP**

Questions surrounding this RFP should be submitted via email to Steve Hesper, System Director ([steve.hesper@mcfls.org](mailto:steve.hesper@mcfls.org)) by noon, XXXXX. Steve Hesper is the sole point of contact at the System for questions regarding this solicitation. Responses will be provided via either email or telephone by noon, XXXXX.

## **6. PROPOSAL**

### **6.1 PROPOSAL CONTENTS**

Please limit your Proposal to no more than a dozen (12) pages.

#### **6.1.1 Cover Letter**

Please include the following: (1) a letter of interest signed by the organization principal with a statement of availability to complete the work; (2) the identification of the proposer, including name, address, email address and telephone number; (3) the name, title, address, email and telephone number of contact person during period of Proposal evaluation; and (4) the signature of a person authorized to bind proposer to the terms of this Proposal.

#### **6.1.2 General Company Profile and Experience**

Briefly provide general information about the organization's experience, capabilities, and length of time the organization has been in the business of performing work of a similar nature.

### **6.1.2 Professional Credentials of Key Staff**

Please identify and list the functions of the key staff who would be assigned to work on projects which might be assigned under this contract.

Briefly describe a summary of the professional credentials and experience of the project manager and key assigned staff. Do not include lengthy resumes or vitae.

### **6.1.3 Project Approach**

Describe how you propose to approach and meet the objectives listed above for this project if you are selected for this project. The System understands the need for flexibility in achieving these objectives and will factor that into the organization's approach.

Provide links (preferred) or examples of similar work and results.

### **6.1.4 Budget/Cost Scenarios**

#### **Budget**

The System anticipates a first year contract budget not-to-exceed \$10,000 to cover billable costs associated with work performed with the selected organization under this contract.

#### **General Rates**

Please include a cost proposal reflecting the hourly/daily rate of key staff who would likely be assigned to the project. Hourly/daily rates will be considered in the proposal criteria.

### **6.1.5 References**

Provide contact information for three to five references who can describe similar or related work you have performed.

## **6.2 SUBMITTING A PROPOSAL**

Formal sealed proposals should be submitted via mail, courier, or in-person. Proposals should be in writing and include all relevant materials which support, validate or demonstrate the qualifications of the submitter.

The deadline for submission/receipt is noon, XXXX.

Submit Proposal to:

Steve Heser  
System Director  
[steve.heser@mcfls.org](mailto:steve.heser@mcfls.org)  
Milwaukee County Federated Library System  
709 North 8<sup>th</sup> Street  
Milwaukee, WI 53233

Please contact Steve Hesper at [steve.hesper@mcfls.org](mailto:steve.hesper@mcfls.org) to assure the Proposal has been received. The Milwaukee County Federated Library System shall not be responsible for any costs incurred by the organization in preparing, submitting or presenting its response to the RFP.

All Proposals received after the designated time stated will not be considered.

### **6.3 REVISION/REJECTION OF PROPOSALS**

The Milwaukee County Federated Library System reserves the right to “revise” or “amend” the RFP prior to the Proposal due date by “written addenda.”

### **6.4 PROPRIETARY INFORMATION/PUBLIC DISCLOSURE**

All proposals received shall become the property of the Milwaukee County Federated Library System and remain confidential until a contract, if any, resulting from this request is signed by the System Director. After a contract is signed, all Proposals received shall be deemed public records as defined in Section 19.35 of the Wisconsin State Statutes.

The Milwaukee County Federated Library System reserves the right to request clarification of information submitted, and to request additional information from any proposer.

The Milwaukee County Federated Library System reserves the right to reject any Proposal for any reason including, but not limited to the following: (1) any Proposal which is incomplete, obscure, irregular, or lacking necessary detail and specificity; (2) any Proposal which has any qualification, addition, limitation, or provision attached; (3) any proposer who (in the sole judgement of the Milwaukee County Federated Library System) lacks the qualifications or responsibility necessary to perform the work; (4) any Proposal for which a proposer fails or neglects to complete and submit any qualifications information, and (5) any Proposal which is received after the deadline date and time.

## **7. EVALUATION PROCESS**

Via email, System staff will confirm receipt of all Proposals received by the due date, and will later inform submitters of the status of their Proposals.

Proposals will be evaluated based on the following criteria:

Possible Points:

35 points	Project approach
30 points	Organization Profile and Staff Experience (including references)
30 points	Costs Scenario/Budget
5 points	Adherence to Submittal Directions

System staff may elect to conduct interviews in-person at the System offices located at 709 North 8<sup>th</sup> Street, Milwaukee, WI, at the business office of the finalist candidate(s), by telephone or teleconference with finalist candidate(s), if determined that an interview is needed for a final selection of vendor.

## **8. TERMS AND CONDITIONS**

The successful proposer will be required to sign a contract with the Milwaukee County Federated Library System and approved by the MCFLS Board of Trustees.

Milwaukee County Federated Library System reserves the right to extract certain language from a company's agreement and incorporate it into a System contract if mutually agreeable to both parties.

The Milwaukee County Federated Library System will retain all rights to materials and reports produced under the resulting contract, including all finished products, plans and any and all assets, including project files.

The proposer, by submitting a response to this RFP, waives all right to protest or seek any legal remedies whatsoever regarding any aspect of this RFP.

The Milwaukee County Federated Library System reserves the right to negotiate with the selected proposer the exact terms and conditions of the contract agreement.

The Milwaukee County Federated Library System is under no obligation to award this project to the proposer offering the overall lowest fee or contract terms. Evaluation criteria, included in this document, shall be used in evaluating Proposals.

Thank you for considering this RFP and for the efforts you may undertake to submit a Proposal.

2020-2024 MCFLS Strategic Plan  
2020-Q2

Directions	Activity	Description/Update	Staff	Due Date	Status
1A. Training	Identify and provide web-based training opportunities	Use survey to identify opportunities. Also investigate options through SEWI and other systems.	Jennifer Schmidt	2020-02-11	Partially completed
1A. Training	Create short videos and instructional content that is practical, task specific, and related to system-wide ILS, digital resources, and technology member libraries and patrons use	Kate will take leadership on this. Use training survey results and feedback from member libraries through subcommittees to determine content. This has been delayed due to other priorities that have emerged because of the COVID-19 pandemic.	Jennifer Schmidt, Kate Strattner		
1A. Training	Develop train the trainer opportunities to increase technology expertise at member libraries	Use training survey to develop opportunities and work with Laurie Freund at Bridges to develop opportunities.	Jennifer Schmidt		
1A. Training	Offer regular technology "office hours" or "Q&A's" for real time access to one on one and group learning assistance	Implemented and Jen is holding these every two months. Survey will determine content of future Q&As	Kate Strattner	2020-02-11	Completed
1A. Training	Provide up to date tracking of changes, with regular reviews of the different resources to existing technology, platforms and resources such as Hoopla, Baker & Taylor, Badgerlink, CollectionHQ and Overdrive.	Updates for shared resources. MCFLS staff would forward any change notices to Kate. Kate will update the libguides site and communicate any changes to members.	Jennifer Schmidt, Kate Strattner	2020-10-31	Partially completed
1A. Training	Develop and provide plug and play instructions for patrons' use of technology, ILS, County Cat app, and online resources that libraries can use (ex. MCFLS Spotlight)	Identify what pieces need to be developed first and then create those with Jen's help. Spotlight these instructions and pieces developed by members.	Jennifer Schmidt, Kate Strattner	2020-08-31	
1B. User Experience	Research, prepare and implement new CountyCat Mobile application	Completed December 16, 2019	Jennifer Schmidt	2019-12-16	Completed
1B. User Experience	Identify accessibility issues for users and develop strategies and solutions to improve	Include as part of user survey that will be implemented by consultant.	Jennifer Schmidt, Steve Hesser		
1B. User Experience	Continue to identify new opportunities and needs for system online resource subscriptions	Ongoing activity. Use opportunities and survey member libraries for ideas related to new resources.	Hieu Tran, Jennifer Schmidt, Judy Kaniasty, Steve Hesser		
1B. User Experience	Shift financial resources so that all libraries have access to the same resources.	Ongoing. Completed for 2020.	Steve Hesser	2019-10-21	Completed for 2020
1B. User Experience	Develop an ILS evaluation plan that studies how well Sierra is or is not serving member library and/or patron expectations and gather information about other ILS options	Start in late 2020. Review state environment, technology environment and system requirements for an ILS software vendor.	Jennifer Schmidt, Steve Hesser	2020-10-23	
1B. User Experience	Keep discovery layer relevant	Ongoing. Review discovery layer options and state discovery options that will be available later in 2023.	Jennifer Schmidt	2023-07-11	

2020-2024 MCFLS Strategic Plan  
2020-Q2

1B. User Experience	Identify and compile system-wide data, including gathering feedback from users, that could inform standardization discussion and decision making	Compile data and feedback from members. Look at low-hanging fruit and identify areas of possible cooperation.	Jennifer Schmidt, Steve Heser		
1C. Infrastructure	Identify and share best practices to establishing a library technology plan	Included in system technology report released June 2020.	Hieu Tran, Steve Heser	2020-05-27	Completed
1C. Infrastructure	Develop and share equipment replacement schedules	Included in system technology report released June 2020.	Hieu Tran, Steve Heser	2020-05-27	Completed
1C. Infrastructure	Develop and share recommended hardware lists	Provided by Hieu and included in system technology report.	Hieu Tran	2020-06-30	Completed
1C. Infrastructure	Develop and share recommended browser, PC, and printer settings	Provided by Hieu and included in system technology report.	Hieu Tran	2020-05-27	Completed
1C. Infrastructure	Explore more cooperative purchasing of equipment for member libraries	Ongoing activity.	Judy Kaniasty, Steve Heser		
1C. Infrastructure	Investigate shared servers for printers and PC management services	Ongoing activity.	Hieu Tran		
1C. Infrastructure	Identify and manage large-scale project opportunities for scale shared technology project, including investigating opportunities at ALA and through statewide and LDAC discussions	Ongoing activity. Examples include the backup project, state digitization kits, Dell cooperative purchasing and other opportunities. - June 2020: Director Heser took part in developing infrastructure for a technology committee as part of the WPLC for advancing new collaborative projects. - In July 2020, MCFLS took lead on a cybersecurity grant involving five systems total. The grant will save money for the system in the long term.	Steve Heser		
1C. Infrastructure	Provide timely and regular environmental scans to identify potential and emerging technology trends	Ongoing activity. Provide as part of the annual report.	Hieu Tran, Jennifer Schmidt, Judy Kaniasty, Steve Heser		
1C. Infrastructure	Vet and test potential new technologies for libraries	Ongoing. Currently investigating new curbside delivery scheduling options for the system as of July 2020.	Hieu Tran		
1C. Infrastructure	Connect more with other library systems to share technology ideas	Ongoing activity. Tech-a-talka, Tech Days, SEWI, WLA would be potential sources of information. Steve Heser will be part of a group of WPLC board members coordinating new technology projects for systems.	Hieu Tran, Jennifer Schmidt, Judy Kaniasty, Steve Heser		
1C. Infrastructure	Distribute annual technology report to member libraries by June 30th each year.	Completed. Released June 2020.	Hieu Tran, Steve Heser	2020-05-27	Completed
2A. System Marketing	Create a marketing and advocacy committee made up of library and outside experts	Working group proposed membership, scope. New committee will meet 1Q 2020.	Jennifer Schmidt, Steve Heser	2020-02-01	Completed



2020-2024 MCFLS Strategic Plan  
2020-Q2

2A. System Marketing	Hire marketing consultant to provide high level planning.	Changes to RFP for marketing consultant put before the MAC and will placed on the July MCFLS Board agenda.	Steve Heser	2020-09-01	In progress
2A. System Marketing	Create a statement of work for a contract employee responsible for ground level activities.		Steve Heser	2021-04-01	
2A. System Marketing	Marketing plan: Identifying current and new data collection priorities to support marketing development and implementation including utilizing tools (surveying system residents, focus groups, market segmentation, GIS mapping, methods to capture user stories, etc.) as appropriate to gather and analyze system-wide data	Consultant will assist in forming data collection plan. Possible first step in determining marketing plan objectives.	Steve Heser	2020-11-01	
2A. System Marketing	Marketing plan: A targeted plan for marketing system-wide services and resources to different audiences through various communication channels with a focus on reaching underserved populations and those that do not or infrequently visit and use our member libraries.		Steve Heser	2021-02-01	
2A. System Marketing	Marketing plan: Providing and centrally maintaining standardized, easy to access, and easy to use (plug and play marketing toolkits) marketing messaging, information, and materials for system provided resources and services	Contract worker would be responsible for this area with help from MCFLS staff. Judy would help manage contract worker role.	Jennifer Schmidt, Steve Heser	2021-03-01	
2A. System Marketing	Develop a plan to regularly communicate to member libraries what the system is actively doing to meet library market and meet member and county resident needs for system services and resources.	Developed by MAC committee	Steve Heser	2021-02-01	
2A. System Marketing	Collaborate with other library system and statewide marketing and related data gathering efforts	Ongoing activity. Dependent upon consultant activity.	Steve Heser		
2B. Advocacy	Advocacy plan: Identifying current and new data collection priorities to support advocacy efforts including utilizing tools (surveying system residents, focus groups, methods to capture user stories, etc.) as appropriate to gather and analyze system-wide data	Dependent upon committee work.	Steve Heser	TBD	
2B. Advocacy	Advocacy plan: Creating an ongoing advocacy engagement and communication plan to build relationships and support for the system and its member libraries for a variety of audiences (legislators, local Friends groups, community as whole, etc.) with a focus on the impacts of libraries in the county, region, and state		Steve Heser	TBD	

2020-2024 MCFLS Strategic Plan  
2020-Q2

2B. Advocacy	Advocacy plan: Providing and centrally maintaining standardized, easy to access, and easy to use (plug and play advocacy toolkits) advocacy messaging, information, and materials for the system and member libraries		Steve Heser	TBD	
2B. Advocacy	Advocacy plan: Providing advocacy training for system and library staff and boards	Responsibility of marketing and advocacy committee. Training done by outside consultant or statewide resource.	Steve Heser	TBD	
2B. Advocacy	Develop a plan to regularly communicate to member libraries what the system is actively doing to advocate for the system and member libraries	Goes hand in hand with reporting done for marketing. Provided by contract worker in consultation with the committee.	Steve Heser	TBD	
2B. Advocacy	Collaborate with other library system and statewide advocacy and related data gathering efforts	Ongoing activity. Library legislative day, etc. Participation in LD&L by system staff or member libraries		TBD	
2C. Library Marketing	Gather and compile data, information, and stories to use for local library marketing to identify priorities, audiences, messages, and metrics	Assistance from MCFLS staff. Contract worker is responsible for creating the content and working with consultant to collect this information.	Jennifer Schmidt, Steve Heser	TBD	
2C. Library Marketing	Marketing plan support: Create a marketing plan toolkit	Primary responsibility of contract worker. Part of their statement of work. Content determined by committee and consultant	Steve Heser	TBD	
2C. Library Marketing	Marketing plan support: Help libraries connect with experts in the community for help (library schools, marketing experts at local companies, etc.)		Steve Heser	TBD	
3A. Data Collection	Data Collection: Establish data collection priorities including review of current data that is gathered and new data that could be gathered such as salaries and benefits, money for suburban library renovation, in-house circulation by municipality (hourly and by day), reference question, room use, who is using the library remotely versus physically etc.	Data collection will be an initial priority of the marketing consultant. Surveying of member libraries to determine data collection needs.	Jennifer Schmidt, Steve Heser	TBD	
3A. Data Collection	Data collection: Establish standard collection tools and equipment (wireless access points, etc.)	Jen would work with consultant to determine collection tools and equipment and coordinate with Hieu.	Hieu Tran, Jennifer Schmidt, Kate Strattner, Steve Heser	TBD	
3A. Data Collection	Data collection: Work with member libraries to determine standards for a variety of useful data points such as salary data, annual data reporting, etc.	Work with consultant to determine what those standards are. Needs more fleshing out.	Steve Heser	TBD	
3A. Data Collection	Data collection: Find management products to help maintain data collection standards such as Gimlet for reference statistics or Edge Report for computer use analysis	Dependent upon data standards.	Jennifer Schmidt, Steve Heser	TBD	

2020-2024 MCFLS Strategic Plan  
2020-Q2

3A. Data Collection	Data collection: Educate member libraries on standards	Work with data collection and consultant. Responsibility of director to communicate standards for data.	Steve Heser	TBD	
3A. Data Collection	Seek, develop, and engage in collaborative opportunities related to gathering and using data regionally and statewide, including gathering data from other metropolitan areas in the country	Ongoing activity.	Steve Heser	TBD	
3A. Data Collection	Dashboard: Additional data points such as by year ranges and community size		Jennifer Schmidt, Steve Heser	2021-04-13	
3A. Data Collection	Dashboard: Include additional data tracked through annual report work such as budget levels, hours, staffing numbers, collection spending, etc., and new data that is prioritized to be collected.		Jennifer Schmidt, Steve Heser	2021-04-13	
3A. Data Collection	Improve use of data: Develop system level packaged data, analysis, and summaries to provide plug and play information that can more easily be utilized for decision making.		Jennifer Schmidt, Steve Heser		
3A. Data Collection	Improve use of data: Explore new tools and software for gathering, compiling, visualizing, and analyzing data		Jennifer Schmidt, Steve Heser		
3A. Data Collection	Identify training needs of members and develop and deliver training related to understanding data and using data tools and software		Jennifer Schmidt, Steve Heser	2021-07-21	
3B. Connections	Review and redevelop system committee structure and communities of practice to support system and member needs, including identifying and developing areas for system coordination and support for member library VS and inclusive programming needs.	Review by/laws and collect information on these subcommittees to review and submit to LDAC for input.	Steve Heser	2022-06-24	
3B. Connections	Develop and coordinate, as needed, county-wide programming and services, (ex. memory cafes)	Ongoing activity. Use input from LDAC and outside sources to investigate adding additional services.	Jennifer Schmidt, Steve Heser		
3B. Connections	Promote and support grant opportunities including support for grant writing, acting as a fiscal agent, and connecting with others that are seeking grants or grant partners	Provide opportunities for members and provide updates on possible grants. Communication piece. - During pandemic, the system has communicated several grants and participated in three so far in 2020: connectivity grant, IMLS Cares Act grant (for technology), and cybersecurity grant.	Steve Heser		
3B. Connections	Develop an online space to serve as a clearinghouse with lists and resources that members could update and add to that would include information such as:	a. Ideas and contacts for staff in-services b. Member library job opportunities c. Sharing program ideas, best practices, and contacts d. Performer lists	Jennifer Schmidt	2020-08-01	

2020-2024 MCFLS Strategic Plan  
2020-Q2

4A. System Interests	Engage in statewide efforts, including any implementation activities related to the PLSR Steering Committee recommendations, that will impact funding, legislation, and services to systems	Ongoing. Steve Heser is working as part of a WPPLC led-group to further new technology projects in line with PLSR goals.	Hieu Tran, Jennifer Schmidt, Steve Heser		
4A. System Interests	Engage with regional partners to explore ideas and models developed by PLSR workgroups that can improve service to member libraries	Ongoing activity.	Hieu Tran, Jennifer Schmidt, Steve Heser		
4A. System Interests	Be informed and an active partner with other library systems	Ongoing activity. Active participation in opportunities such as LAWDS and grant collaboration through LSTA are two recent examples.	Hieu Tran, Jennifer Schmidt, Kate Strattner, Steve Heser		
4B. Funding	Based 2020-21 state aid funding, realign budget allocations as needed to support system services and strategic plan initiatives and activities	Completed for 2020-2024. Adjusted contract amounts to support strategic planning objectives.	Steve Heser	2020-01-01	Completed
4B. Funding	Reciprocal Borrowing: Establish guidelines for process and discussion	MCFLS staff will initiate with data collection help from consultant. Start 2021.	Steve Heser		
4B. Funding	Reciprocal Borrowing: Perform data collection and analysis	MCFLS staff will initiate with data collection help from consultant.	Steve Heser		
4C. Operational Support	Make necessary annual budget adjustments to fund strategic plan activities and needs	Ongoing activity	Hieu Tran, Jennifer Schmidt, Steve Heser		
4C. Operational Support	Analyze staffing levels and review job descriptions	Will start in late 2022.	Hieu Tran, Jennifer Schmidt, Steve Heser	2022-11-09	
4C. Operational Support	Clarify and disseminate information about the roles of MCFLS staff	Hand in hand with staff job description review.			
4C. Operational Support	Staff learning support: project planning and management	Supporting staff learning and continuing education to support strategic plan initiatives,	Steve Heser		



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July 20, 2020

June/July 2020 Director's Report

### Summary of activities

1. Submitted the CARES Act grant application to DPI on June 30<sup>th</sup>. The primary focus of the grant is to enhance network and digital connectivity and many members have chosen to use the funding to upgrade wireless access points within their library. Others have chosen to purchase software or consulting services related to connectivity.
2. Meeting weekly with member library directors each Thursday to discuss their current situation and make system-level decisions. A google spreadsheet survey form continues to help directors and system staff with decision making.
3. Will continue to meet with DPI and system directors each Tuesday morning for the foreseeable future to talk through pandemic-related issues and share information from our systems.
4. Continue to meet with system staff each Tuesday morning for a 45 minute check-in. I'm pleased with the amount of work taking place and how dedicated they continue to be in light of the situation. System staff are now working occasionally within the MCFLS Offices to send out notices.
5. Revised and worked with suggested changes to the Marketing RFP and submitted those changes to the MAC group for feedback.
6. Submitted the cybersecurity grant with five systems participating in our group, including four from our original cohort. The DPI will be allowing systems to apply for an LSTA grant to pay for the product and implementation costs in the first year. MCFLS will be the financial agent for our group.
7. Met with system delivery managers from across the state to share information and talk about statewide delivery. Many have resumed normal delivery, but there are still roughly 25% that are offering lower levels of delivery service. We meet every two weeks to discuss changes and how well systems can accommodate Interlibrary Loan.
8. Participated in two online webinars focused on assisting libraries with curbside scheduling. System staff are working on a contingency plan in case member libraries are forced en masse to scale back services at some point in the future.
9. Submitted the County budget request documents, including the Racial Equity Budget Tool (REBT).
10. Completed work on the mid-year budget revision and spoke with Wendi Unger from Baker Tilly regarding the 2019 audit documents.

### Upcoming Activities

1. Continue work on the 2021 budget and investigate impact of pandemic on state aid to systems.
2. Work with County Exec's office to fill remaining board openings.