

NOTICE

Milwaukee County  
Federated Library System  
Board of Trustees

Monday, August 16<sup>th</sup>, 2021

3:30 P.M.

This meeting will be held:

In- Person at  
Oak Creek Public Library  
8040 S 6th St  
Oak Creek, WI 53154

Online at  
Meeting URL: [CLICK HERE](#)  
Meeting ID: 875 6370 3375  
Passcode: Uu2V9uuX

AGENDA

1. Call to order
2. Introduction of new MCFLS Public Information Coordinator, Deb Marett
3. Adoption of agenda  
Action
4. Approval of minutes: the MCFLS Board of Trustees meeting on July 19<sup>th</sup>, 2021  
Action [Attachment A](#)
5. Public comment
6. Library Directors Advisory Council--Report of the August 5<sup>th</sup>, 2021 Meeting  
Action [Attachment B](#)

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

- |   |        |                              |
|---|--------|------------------------------|
| 7. Financial Report—July 2021   | Action | <a href="#">Attachment C</a> |
| 8. 2020 MCFLS System Audit Presentation                                 | Action | <a href="#">Attachment D</a> |
| 9. 2021 Mid-Year Budget Revision  | Action | <a href="#">Attachment E</a> |
| 10. Proposed MCFLS Telecommuting Policy Revision                        | Action | <a href="#">Attachment F</a> |
| 11. Proposal for Unbudgeted Expense Threshold Needed for Board Approval | Action | <a href="#">Attachment G</a> |

Administrative Informational Items

- |  |                              |
|--|------------------------------|
| 12. Results of 2022 MCFLS Expenditures Survey and Feedback from LDAC meeting | <a href="#">Attachment H</a> |
| 13. Standing agenda item on MCFLS Board meetings                             |                              |
| 14. Director's Report  | <a href="#">Attachment I</a> |

Next meeting date: Scheduled for Monday, September 20<sup>th</sup>, 2021 at 3:30 pm via Zoom online meeting software and location TBD.

Milwaukee County Federated Library System  
Board of Trustees

Regular Monthly Meeting held Monday, July 19, 2021  
Zoom Meeting

ROLL CALL

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

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

Others: Joan Johnson, 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 3:34 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, June 21, 2021 meeting which are shown as Attachment A of the agenda packet. Being no corrections noted, Trustee Snyder moved and Trustee Suelzer seconded a motion to approve h minutes as presented. Unanimously approved.

PUBLIC COMMENT. President Ziehler reported that Trustee Clark submitted his unfortunate resignation this morning, stating personal reasons. Director Hesel noted he will contact the County Executive's Office to review the most recent nominations to the MCFLS Board and he will also reach out to a few member library directors in search of possible additional candidates to consider so the representation on our Board is as diverse as possible and represents all corners of the County.

There is no LDAC report today since there was no July meeting.

BOARD OF TRUSTEES – ADMINISTRATIVE REPORTS REQUIRING ACTION

Financial Report – June 2021. President Ziehler referred to the June 2021 financial report which is shown as Attachment B of the agenda packet. Director Hesel reported that he plans on bringing the mid-year budget revision to the Board in August for review and approval; he believes there will be a sizable savings in staff costs along with a larger than projected carryover which will cover DigiCorp labor

and leave more in the Contingency account after the anticipated approval of a replacement cost of an internet router to be discussed following this topic. The audit presentation will be made during the August meeting since things are running on schedule for that to occur at that time. Vice President Shea moved and Trustee Snyder seconded a motion to approve the June 2021 financial report as presented. Unanimously approved.

Approval for Purchase of Replacement WiscNet Internet Router. President Ziehler referred to Attachment C of the agenda packet, which Director Heser summarized and noted that if acquisition of the required equipment goes beyond October that he has been informed that WiscNet will continue to service our current piece of equipment until the new equipment is installed. This replacement cost of 4,500 was not budgeted so it is now before the MCFLS Board for approval and will be incorporated into the mid-year budget document which will be presented next month for approval. Trustee Johnson moved and Vice President Shea seconded a motion to approve the \$4,500 as requested. Unanimously approved.

Trustee Snyder raised the question whether the policy of seeking MCFLS Board approval for any purchases not budgeted over \$500 should be revised to reflect a higher amount since when the policy was put in place that was sound but now, many years later, a higher dollar amount should be considered. It was the consensus of the MCFLS Board that such an update to the policy be reviewed and acted upon at a future meeting.

Letter of Appreciation to MPL Board of Trustees in Recognition of OverDrive Advantage Funding Allocation. President Ziehler summarized Attachment D of the agenda packet. Both Director Heser and President Ziehler thanked MPL for another generous contribution for OverDrive Advantage which impacts all residents within Milwaukee County. Milwaukee Public Library Director Joan Johnson commented that it is important to find opportunities to help all. Jen Schmidt noted that she is looking for ways to showcase titles added. Trustee Johnson moved and Trustee Snyder seconded a motion to send the thank you letter as shown. Unanimously approved with Treasurer Kovac abstaining.

#### ADMINISTRATIVE INFORMATIONAL ITEMS

PLSR Recommendation Five: Delivery Implementation Findings and Recommendations Report. Director Heser highlighted the key components of the DPI/DLT PLSR Delivery Implementation Findings and Recommendation report which is shown as Attachment E of the agenda packet pointing out that transition for MCFLS will be simple since we contract for county-wide delivery with Action Logistics instead of employing our own employees. Action Logistics has been involved in preliminary discussions and they do currently offer delivery services to a few other library systems in the area. Costs are projected to remain the same for delivery for the next two years for MCFLS and the South Central Delivery Service will remain involved. Academic, UW's and technical schools will be rolled into local delivery routes instead of having a South Central Delivery vehicle man those stops independently like they are now serviced which will eliminate that perceived duplication of energies within service areas. One change which is anticipated within Milwaukee County is that MPL Central will be the delivery hub for the southeast area; it is felt that adding the academic libraries will not add much volume to the mix. The delivery contracts for service within library systems will not be with Systems under this change but instead with the Wisconsin Public Library Consortium which is already an established known entity that coordinates other state-wide projects like OverDrive and of which Director Heser serves on their Board. A more efficient state-wide materials handling process is anticipated between all entities when all is transitioned as envisioned, especially academic library patrons.

MCFLS Request for Information from Integrated Library System (ILS) Vendors. Director Hesel reported that a ten-member Task Force consisting of MCFLS and member library staff developed Attachment F of the agenda packet after a tremendous amount of work and it has been sent off to three vendors who have indicated they will respond by the 8/12/21 deadline. Jen Schmidt noted that this ILS review is part of the Strategic Plan and she outlined the many steps taken during the process of developing the RFI and feels it is smart for MCFLS to move from a self-hosted site to a cloud hosted site in the future when our current equipment will be up for replacement.

Trustee Suelzer questioned when the budget for this project will occur and Jen Schmidt responded that one of the main reasons for this ILS review is to look for a more reasonably priced maintenance package for member libraries—be that with our current vendor or with another along with functionality of the product used by all member libraries and migration costs if a change is made. Trustee Johnson asked what public benefit would be seen and Director Hesel responded that the ILS is the backbone of all services to the public and any savings can be used towards other desired services. Jen Schmidt added that the Encore discovery product software will not be supported after 2022 so a change of that product needs to be made regardless—either a new ILL product or a new vendor.

[Treasurer Kovac left at 4:15 p.m.]

Update on MCFLS Public Information Coordinator Recruitment. Director Hesel reported that the recruitment process for the new position of Public Information Coordinator is underway with 80 applications received. Six interviews are scheduled and three have occurred last week and another three scheduled this week. It is possible a decision could be made on July 23 unless a second round of interviews is needed.

2020-2024 MCFLS Strategic Plan Review. Director Hesel reviewed Attachment G of the agenda packet, calling attention to an earlier discussed LSTA grant pass-through for an offsite statewide backup data center with other library systems. As an update—a MOU has not been signed yet by MCFLS since ongoing costs are not firmed up and this topic will come back before the MCFLS Board when that happens.

Trustee Johnson noted he had received the budgeting survey Director Hesel sent recently and would appreciate having a description of the items so he understands how to rank the options. Director Hesel agreed to share a descriptive document with the Board tomorrow morning.

Standing Agenda Item on MCFLS Board Meetings. No discussion on this topic since it was agreed that the plans for the August 16 at Oak Creek look sound at this time.

Director's Report. Director Hesel reviewed his report, which is shown s Attachment H of the agenda packet, emphasizing the work he has done gathering information and data for the Glendale library project and that he just learned about a Request for Consideration of a Planned Unit Development including a mixed use library building in Bayside is included.

Director Hesel reported that Laura Sauser is the new Wisconsin Library Association Executive Director who is from Iowa and is well regarding for her valued work experience and has a knack for fundraising.

Director Heser noted that he has done his best with regards to the MCFLS Technology Report, considering some staff turnover this year.

NEXT MEETING. Scheduled for August 16 beginning at 3:30 p.m. at the Oak Creek Public Library and via Zoom online meeting software.

Trustee Suelzer reported that she had met with the County Executive and is agreeable to serving another term on the MCFLS Board as her term is up in September. It was noted that President Ziehler's term for renewal will be in December.

ADJOURNMENT. With no further business to be addressed by the MCFLS Board, Trustee Snyder moved and Vice President Shea seconded a motion to adjourn the meeting at 4:48 p.m. Unanimously approved.

Milwaukee County Federated Library System  
Library Directors Advisory Council  
Meeting Summary

Thursday, August 5<sup>th</sup>, 2021 (10:00 am- 12:00 pm)

Submitted by: Temporary Chair – Tristan Marshall, South Milwaukee Public Library

Agenda:

The Agenda was amended to include: Workforce Drop In service discussion, Outlook Phishing for MCFLS e-mail services, and Microfilm and Microfiche services.

Minutes:

The minutes from the June 3<sup>rd</sup>, 2021 LDAC meeting were approved without amendments.

MCFLS Discussion:

Steve Heser presented on library members costs and funding through MCFLS. He began by presenting the information collected from a survey sent to MCFLS Library Directors to see how additional funding should be utilized by MCFLS. The top three concerns identified were reserving funding for ILS migration costs, fund marketing plan expenses, integrated online patron registration form with marketing. Additional attention was given to the possibility of funding Brainfuse for all member libraries or expanding Gale services to include Udemy. This is with the understanding that any electronic services that are funded would be a one year trial time period and not a continued coverage cost.

Heser continued the presentation by showing that MCFLS costs would go down in 2022 for member libraries and reciprocal borrowing payouts would increase.

Heser presented technology information including funding for Advantage MARC record funding, new MCFLS Helpdesk support, and technical assistance and billing for member libraries. MARC records are the catalog records that staff work with to provide item information into the public facing catalog. The need for original MARC records is increasing as more unique items get added to the collection. To streamline the cost and the amount of staff time utilized to create these records MCFLS will be funding a few thousand dollars to cover the creation of these items through Advantage services. Heser presented information on the new ticketing system for MCFLS Helpdesk Support. This system will help improve services as all requests will then go to the same place, help streamline those requests, and keep all of the MCFLS staff up to date on what is happening with each request. Heser also provided a one page summary of what technical services Eric Henry/MCFLS is able to provide to member libraries for cost and what services are included in MCFLS membership. This document will make the cost and type of services clear to member Board Members and Directors.

Sierra Settings:

The LDAC Committee decided to leave the DVD/CD limit at 30 items, instead of reducing it back the normal 20. They will consider setting 30 as the normal limit at a future meeting.

Jennifer Schmidt notified the Committee that 7 Day notices will begin being sent to remind patrons their items are coming due. That service had been temporarily discontinued due to the quarantining process of items. Since member libraries are no longer quarantining this service can be continued.

#### Information Reports:

Steve Hesel reported on the hiring of Deb Marett as the MCFLS Public Information Coordinator. Deb is an accomplished professional with experience in marketing project management, graphic design and content creation. She also teaches part time at Gateway Technical College and has been involved in the art community for many years. Deb's first day will be Monday, August 30<sup>th</sup>. After an orientation and initial training period, Deb and Steve will begin meeting with directors to make introductions.

The meeting notes from the last SEWI Continuing Education meeting were shared with LDAC. Jennifer Schmidt shared some exciting continuing education prospects with the Committee: August 23<sup>rd</sup> – August 27<sup>th</sup>, WI Trustee Training week, Tech Days September 15-16, and planning for Wild WI Winter Web Conference 2022.

The existing Infopass program currently assists member library users who need access to materials which are in a library other than those to which they have legal access. Those passes are issued by member library management and require staff assistance. MCFLS is working to work with institutions to make the process easier.

#### Added Agenda Items:

Workforce Drop In service discussion was presented by Steve Hesel who notified the Committee that the Department of Workforce Development is focusing on providing mobile services out in the community. MCFLS will keep member libraries up to date on when/what/where those services are occurring. Information had been sent out to member libraries if there were interested in receiving services at their library (a computer lab is needed).

Outlook Phishing for MCFLS e-mail services will be added on to any MCFLS provided e-mail account. The e-mail user will be able to click on a button that looks like a fish to report phishing e-mails. Those e-mails will get directly routed to MCFLS staff who will look into them on a weekly basis.

There is ongoing concern amongst member libraries about the reduction in availability of microfiche machines. The maintenance and upkeep of microfiche machines is expensive and still needed to access the microfilm collections of some libraries. At this time there was no group expense plans made, but member libraries with a functioning machine will continue to assist member libraries that do not have one.



M.C.F.L.S.  
Financial Report  
For the Seven Months Ending July 31, 2021

1		<u>Annual Budget</u>	<u>Year to Date</u>	<u>%</u>	<u>Balance</u>	<u>%</u>
2						
3	<b>General Revenues</b>					
4	State Aid Revenue	\$ 2,855,319	\$ 2,855,319	(100.00)	\$ -	0.00
5	Milwaukee County Allocation	\$ 66,650	\$ 66,500	(99.77)	\$ 150	(0.23)
6	West Milwaukee Contract -Other	\$ 60,152	\$ 60,152	(100.00)	\$ -	0.00
7	Interest on Invested Funds	\$ 10,000	\$ 329	(3.29)	\$ 9,671	(96.71)
8	Member Forms/Supplies Rev (62)	\$ 20,600	\$ 11,267	(54.69)	\$ 9,333	(45.31)
9	Member Postage Revenue (61)	\$ 23,800	\$ 5,395	(22.67)	\$ 18,405	(77.33)
10	Member OCLC Revenue (73)	\$ 125,035	\$ 125,036	(100.00)	\$ (1)	0.00
11	Member Telecomm. Revenue (71)	\$ 16,800	\$ 16,800	(100.00)	\$ -	0.00
12	Member III Softwre Maint-Basi	\$ 181,188	\$ 181,188	(100.00)	\$ -	0.00
13	Member III Softwre Maint-Other	\$ 47,561	\$ 48,910	(102.84)	\$ (1,349)	2.84
14	Member Tech. Assist.-Time Rev.	\$ 15,000	\$ 4,783	(31.89)	\$ 10,217	(68.11)
15	Member Special Projects Rev (77)	\$ 75,000	\$ 40,178	(53.57)	\$ 34,822	(46.43)
16	Member Cataloging Contract Rev (85)	\$ 187,546	\$ 187,547	(100.00)	\$ (1)	0.00
17	Member Database Revenue (56)	\$ 81,035	\$ 81,040	(100.01)	\$ (5)	0.01
18	Member Catalog Enhancement Rev (59)	\$ 29,648	\$ 29,648	(100.00)	\$ -	0.00
19	Member Ecom Transaction Fees (44)	\$ 8,600	\$ 3,419	(39.76)	\$ 5,181	(60.24)
20	TNS Calls/Notices Revenue (45)	\$ 1,224	\$ 691	(56.45)	\$ 533	(43.55)
21	Carryover Revenue	\$ 12,000	\$ -	0.00	\$ 12,000	(100.00)
22	Staff Benefits/Co-Pay Revenue	\$ 38,289	\$ 18,619	(48.63)	\$ 19,670	(51.37)
23	LSTA Technology Grant Rev (89)	\$ 10,000	\$ -	0.00	\$ 10,000	(100.00)
24	Member Digital Content Rev (90)	\$ 267,583	\$ 247,713	(92.57)	\$ 19,870	(7.43)
25	Member PC Mngmt License Rev (94)	\$ 2,545	\$ 1,359	(53.40)	\$ 1,186	(46.60)
26	Member MKE Mixers Rev (95)	\$ 1,400	\$ 1,350	(96.43)	\$ 50	(3.57)
27	Member Replacement Fines Rev (96)	\$ 12,000	\$ 2,905	(24.21)	\$ 9,095	(75.79)
28	Member Overdrive Advantage Rev (97)	\$ 15,000	\$ 455,001	(3,033.34)	\$ (440,001)	2,933.34
29	<b>Total General Revenues</b>	\$ 4,163,975	\$ 4,445,149	(106.75)	\$ (281,174)	6.75
30						
31	<b>Special Revenues</b>					
32	W. Milw Borrowing Rev (101)	\$ 31,467	\$ 31,467	(100.00)	\$ -	0.00
33	Ecommerce Revenue (103)	\$ 175,000	\$ 106,450	(60.83)	\$ 68,550	(39.17)
34	<b>Total Special Revenues</b>	\$ 206,467	\$ 137,917	(66.80)	\$ 68,550	(33.20)
35						
36	<b>Total Revenues</b>	\$ 4,370,442	\$ 4,583,066	(104.87)	\$ (212,624)	4.87
37						
38		<u>Annual Budget</u>	<u>Year to Date</u>	<u>%</u>	<u>Balance</u>	<u>%</u>
39						
40	<b>General Expenditures</b>					
41	Fringe Benefits Expense	\$ 195,231.0	\$ 103,456.0	52.99	\$ 91,775	47.01
42	Salaries Expense	\$ 389,272.0	\$ 192,846.0	49.54	\$ 196,426	50.46
43	Telephone Renewal Expense	\$ 608.0	\$ 347.0	57.07	\$ 261	42.93
44	Member Ecom Transaction Ex (19)	\$ 8,600.0	\$ 3,097.0	36.01	\$ 5,503	63.99
45	TNS Calls/Notices Expense (20)	\$ 1,224.0	\$ 694.0	56.70	\$ 530	43.30
46	Mileage/Auto Maint Expense	\$ 700.0	\$ -	0.00	\$ 700	100.00
47	Conference/Training Expense	\$ 5,000.0	\$ 533.0	10.66	\$ 4,467	89.34
48	Memberships Expense	\$ 5,000.0	\$ 3,825.0	76.50	\$ 1,175	23.50
49	Continuing Education Expense	\$ 9,000.0	\$ 6,383.0	70.92	\$ 2,617	29.08
50	Office Supplies Expense	\$ 1,500.0	\$ 780.0	52.00	\$ 720	48.00
51	Copy Machine Maint. Expense	\$ 2,500.0	\$ 198.0	7.92	\$ 2,302	92.08
52	MCFLS Printing Expense	\$ 500.0	\$ 262.0	52.40	\$ 238	47.60
53	MCFLS Printing for Mem Expense	\$ 5,000.0	\$ 819.0	16.38	\$ 4,181	83.62
54	MCFLS WI Pub Lib Consortium Ex	\$ 5,855.0	\$ 5,855.0	100.00	\$ -	0.00
55	MCFLS Buying Pool	\$ 140,000.0	\$ 140,190.0	100.14	\$ (190)	(0.14)
56	MCFLS Database Expense	\$ 21,953.0	\$ 21,883.0	99.68	\$ 70	0.32
57	Member Database Expense (17)	\$ 81,035.0	\$ 81,010.0	99.97	\$ 25	0.03

58	MCFLS Catalog Enhancement Expe	\$ 81,119.0	\$ 64,612.0	79.65	\$ 16,507	20.35
59	Member Catalog Enhance Exp (18)	\$ 29,648.0	\$ 29,648.0	100.00	\$ -	0.00
60	MCFLS Postage Expense	\$ 600.0	\$ 224.0	37.33	\$ 376	62.67
61	Member Postage Expense (9)	\$ 20,600.0	\$ 4,180.0	20.29	\$ 16,420	79.71
62	Member Forms/Supplies Exp (8)	\$ 23,800.0	\$ 17,053.0	71.65	\$ 6,747	28.35
63	Telephone Expense	\$ 5,000.0	\$ 1,513.0	30.26	\$ 3,487	69.74
64	Meetings Expense	\$ 500.0	\$ -	0.00	\$ 500	100.00
65	Insurance Expense	\$ 11,700.0	\$ 9,781.0	83.60	\$ 1,919	16.40
66	Legal Expense	\$ 500.0	\$ -	0.00	\$ 500	100.00
67	Audit Expense	\$ 13,000	\$ 9,240	71.08	\$ 3,760	28.92
68	Payroll Service Expense	\$ 5,400	\$ 2,254	41.74	\$ 3,146	58.26
69	III Software Support Expense	\$ 228,749	\$ 226,835	99.16	\$ 1,914	0.84
70	III TNS Subscr Exp	\$ 12,224	\$ 12,224	100.00	\$ -	0.00
71	Member Telecomm. Expense (11)	\$ 16,800	\$ 8,500	50.60	\$ 8,300	49.40
72	MCFLS Telecomm. Maint. Expense	\$ 5,000	\$ 4,022	80.44	\$ 978	19.56
73	OCLC Expense (10)	\$ 135,047	\$ 133,944	99.18	\$ 1,103	0.82
74	MCFLS Computer Room Equipment	\$ 5,000	\$ 1,390	27.80	\$ 3,610	72.20
75	MCFLS Software Expense	\$ 3,500	\$ 1,017	29.06	\$ 2,483	70.94
76	MCFLS Equipment Expense	\$ 16,000	\$ 2,086	13.04	\$ 13,914	86.96
77	Member Special Projects Exp (15)	\$ 75,000	\$ 38,973	51.96	\$ 36,027	48.04
78	Sorting and Delivery Expense	\$ 291,700	\$ 141,226	48.41	\$ 150,474	51.59
79	South Central Delivery Expense	\$ 21,856	\$ 10,928	50.00	\$ 10,928	50.00
80	Auto Payment/Maintenance Exp.	\$ 1,000	\$ -	0.00	\$ 1,000	100.00
81	MPL Resource Contract Expense	\$ 178,457	\$ 89,229	50.00	\$ 89,228	50.00
82	MPL Rent Lease Contract Exp.	\$ 129,815	\$ 64,908	50.00	\$ 64,907	50.00
83	ILS Expense	\$ 36,450	\$ 18,225	50.00	\$ 18,225	50.00
84	MCFLS Catalog Cont Exp to MPL	\$ 256,979	\$ 128,490	50.00	\$ 128,489	50.00
85	Member Catalog Contract Exp (16)	\$ 187,546	\$ 93,773	50.00	\$ 93,773	50.00
86	MCFLS Collection Dev Tool Exp	\$ 25,935	\$ -	0.00	\$ 25,935	100.00
87	Internet Expense	\$ 21,635	\$ 9,588	44.32	\$ 12,047	55.68
88	Contingency Expense	\$ 33,411	\$ 27,654	82.77	\$ 5,757	17.23
89	LSTA Technology Grant Exp (23)	\$ 10,000	\$ 6,207	62.07	\$ 3,793	37.93
90	Member Digital Content Exp (24)	\$ 267,583	\$ 146,609	54.79	\$ 120,974	45.21
91	Marketing	\$ 10,000	\$ 46	0.46	\$ 9,954	99.54
92	Marketing Consultant/Contract	\$ 40,500	\$ -	0.00	\$ 40,500	100.00
93	Cooperative Purchasing Sub Exp	\$ 2,200	\$ -	0.00	\$ 2,200	100.00
94	Member PC Mngmt License Ex (25)	\$ 1,875	\$ 1,876	100.05	\$ (1)	(0.05)
95	Member MKE Mixer Exp (26)	\$ 1,400	\$ 241	17.21	\$ 1,159	82.79
96	Member Replacement Fines Exp (27)	\$ 12,000	\$ 2,905	24.21	\$ 9,095	75.79
97	Member OverDrive Advantage Exp (28)	\$ 15,000	\$ 405,754	2,705.03	\$ (390,754)	(2,605.03)
98	<b>Total General Expenditures</b>	\$ 3,107,507	\$ 2,277,333	73.28	\$ 830,174	26.72
99						
100	<b>Special Expenditures</b>					
101	W. Milw Borrowing Exp (32)	\$ 31,467	\$ 31,467	100.00	\$ -	0.00
102	RB - MCFLS Payment Expense	\$ 1,056,468	\$ 1,056,467	100.00	\$ 1	0.00
103	Ecommerce Expense (33)	\$ 175,000	\$ 106,450	60.83	\$ 68,550	39.17
104	<b>Total Special Expenditures</b>	\$ 1,262,935	\$ 1,194,384	94.57	\$ 68,551	5.43
105						
106	<b>Total Expenditures</b>	\$ 4,370,442	\$ 3,471,717	79.44	\$ 898,725	20.56
107						
108	<b>Revenue/Expenditures +/-</b>					
			\$ 1,111,349			



# Reporting and insights from 2020 audit: Milwaukee County Federated Library System

December 31, 2020

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# Executive summary

August 16, 2021

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

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, 2020, and have issued our report thereon dated August 16, 2021. 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@bakertilly.com](mailto:wendi.unger@bakertilly.com) or +1 (414) 777 5423

Sincerely,

Baker Tilly US, 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.

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# Responsibilities

# Responsibilities

## 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

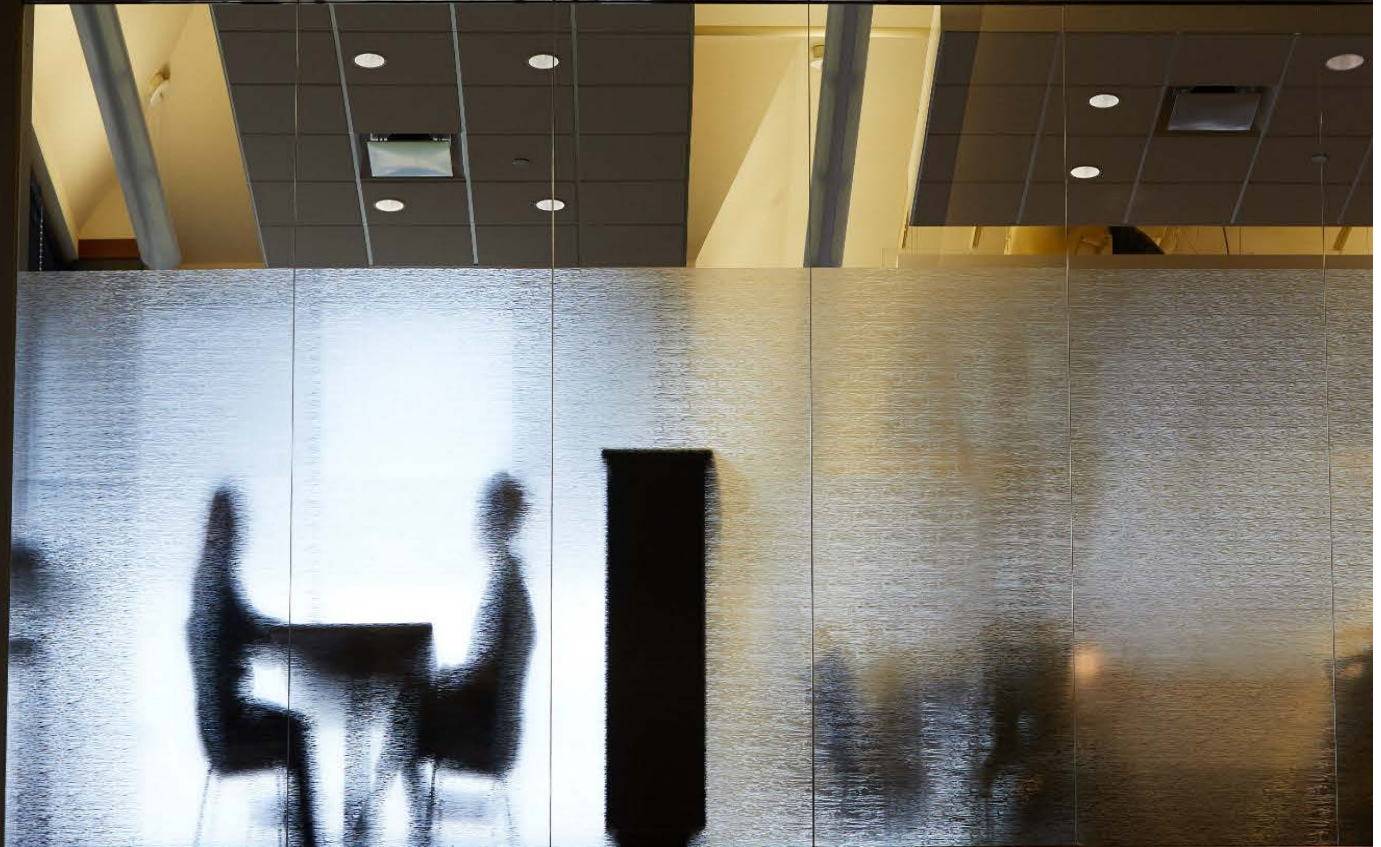
## Management's responsibilities

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 for a copy of management's representations





# Audit status





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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



# 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

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.

## 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
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	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 asset and OPEB liabilities	Financial reporting and required disclosures
Capital assets including infrastructure	Net position calculations	

## 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. In addition, material misstatements in the general ledger were identified during the financial audit.

## 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. No new accounting policies were adopted and the application of existing accounting policies was not changed during 2020. 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 asset 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 difficulties encountered during the audit**

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

### **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.

### **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.

### **Uncorrected misstatements and corrected misstatements**

Professional standards require us to accumulate misstatements identified during the audit, other than those that are clearly trivial and to communicate accumulated misstatements to management. Management is in agreement with the misstatements we have identified, and they have been corrected in the System's financial statements. The list below summarizes the material corrected misstatements that, in our judgment, may not have been detected except through our auditing procedures. The internal control matters section of this report describes the effects on the financial reporting process indicated by the corrected misstatements, other than those that we consider to be of a lesser magnitude than significant deficiencies and material weaknesses.

	<u>Amount</u>
To adjust revenue and accounts receivable	\$ 2,141,489

### **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.

### **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.

### **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 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*.



# **Accounting changes relevant to Milwaukee County Federated Library System**



# Accounting changes relevant to Milwaukee County Federated Library System

## Future accounting standards update

GASB Statement Number	Description	Potentially Impacts you	Effective Date
87	Leases	✓	12/31/22*
89	Accounting for Interest Incurred before the End of a Construction Period	✓	12/31/21*
91	Conduit Debt	✓	12/31/22*
92	Omnibus 2020	✓	12/31/22*
93	Replacement of Interfund Bank Offered Rates	✓	12/31/22*
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	✓	12/31/23
96	Subscription-Based Information Technology Arrangements	✓	12/31/23
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans	✓	12/31/22

\*The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years. The effective date reflected above is the required revised implementation date.

Further information on upcoming [GASB pronouncements](#).

## Preparing for the new lease standard

GASB's new single model for lease accounting will be effective soon. 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](#).





# Trending challenges and opportunities for organizations



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# Trending challenges and opportunities for organizations

Management and governing bodies 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.

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## Turning toward recovery and growth

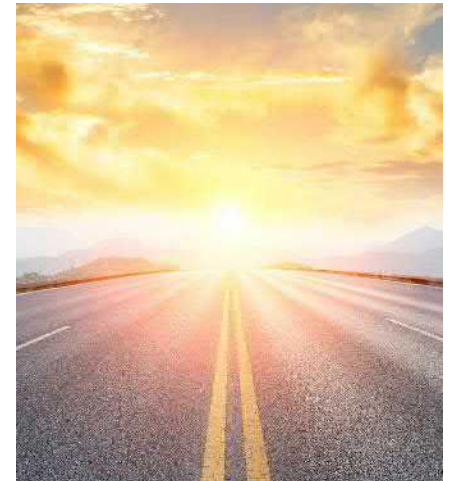
Many organizations are focusing on the strategic restart and ramp up of their operations.

With great uncertainty about what recovery will look like—or how long it will take—it is essential for your organization to understand the scenarios you may face and plan your path back to growth.

We can help you chart a way forward that will enhance and maximize your value, minimize further disruption and keep your workforce safe.

### Recommendation

Follow our [road map](#) to reopen, recover and reset.



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## Compliance with federal awards



### Challenge

The COVID-19 crisis has had a significant effect on the nation, including recipients of federal awards resulting from various congressional acts. Federal funding adds an increased level of scrutiny and brings new challenges around compliance, reporting and administration.

Finance and spending departments are operating in unprecedented times as they manage and administer these funds while also remaining economically viable, maintaining operations and adapting to the “new normal.”

### Recommendation

Learn more about [compliance for federal funds](#) obtained for pandemic response efforts.

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## Recession proofing measures



### Challenge

Ever aware of the need to balance the needs of diverse constituents against constrained revenue streams and conflicting priorities, public leaders strive to effectively deploy scarce resources while maintaining the highest levels of accountability and transparency.

In times of crisis, additional challenges emerge to maintain essential services, ensure citizen safety, protect their workforce and jumpstart programs to mitigate negative local economic impacts—all while focusing on planning for long-term effects of revenue shortages and the subsequent recovery.

Developing strategic clarity, aligning resources with priorities, strengthening performance, optimizing processes and leveraging

technology are imperative.

### Recommendation

Learn about [proactive measures to insulate your organization](#) from financial hardship and to [optimize your organization's performance](#).

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## Risk assessment

### Challenge



Organizations today manage ever-expanding priorities in a constantly evolving, disruptive risk environment. Undetected risks, insufficient internal controls and inefficient business processes may negatively impact not only the entity but also its workforce and the community at large.

Risk assessment and internal audit prove essential to identifying top risks and the appropriateness of response in order to:

- Manage risk and compliance
- Enhance governance and strategy
- Optimize operations
- Gain assurance around key functions and processes that contribute toward meeting organizational goals

### Recommendation

Learn about the key considerations for the [risk assessment process and internal audit planning](#).

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## Information technology and cybersecurity



### Challenge

While return-to-work scenarios are being developed, it is likely that remote workforces will remain a reality for many organizations in the short- to mid-term. Though many organizations have been able to adapt on a short-term basis, some will not be prepared for long-term operation on a remote and virtual basis. Organizations should increase monitoring of invasive cyber events, given the likely increase in hackers sending out fake emails, website links and ransomware attacks – and also consider:

- Adequacy of IT controls and security
- Performance of remote infrastructure supporting operations
- Improvements to remote applications for communication, collaboration and workflow
- Alternatives for data entry, work and information flow

### Recommendation

[Learn more](#) about information technology and cybersecurity, including [System & Organization Controls reporting](#).





## **Appendix A: Client service team**

## Client service team



**Wendi Unger, CPA**

**Partner**

777 East Wisconsin Ave 32<sup>nd</sup> Floor  
Milwaukee, WI 53202  
United States

**T +1 (414) 777 5423**

[wendi.unger@bakertilly.com](mailto:wendi.unger@bakertilly.com)





# Appendix B: Management representation letter

August 16, 2021

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

Dear Baker Tilly US, 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, 2020 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.

Sincerely,

Milwaukee County Federated Library System

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

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

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

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





# **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. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- e. Have you had any significant communications with regulators or grantor agencies?
- f. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness and actions of the 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 in January. Our final financial fieldwork is scheduled during the 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**

Financial Statements and  
Supplementary Information

December 31, 2020

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December 31, 2020

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## **INDEPENDENT AUDITORS' REPORT**



## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Milwaukee County Federated Library System, Wisconsin, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Milwaukee County Federated Library System's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the Milwaukee County Federated Library System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Milwaukee County Federated Library System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Trustees  
Milwaukee County Federated Library System

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Milwaukee County Federated Library System, Wisconsin, as of December 31, 2020 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2021 on our consideration of the Milwaukee County Federated Library System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Milwaukee County Federated Library System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Milwaukee County Federated Library System's internal control over financial reporting and compliance.

Milwaukee, Wisconsin  
August 16, 2021

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

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

Our discussion and analysis of the Milwaukee County Federated Library System (the "System") financial performance provides an overview of the System's financial activities for the fiscal year ended December 31, 2020. Please read it in conjunction with the financial statements, which begin on page 8.

#### FINANCIAL HIGHLIGHTS

- Revenue decreased by \$64,137 or approximately 1.6%.
- Expenditures decreased by \$158,479 or approximately 4.1%.
- The fund balance of total governmental funds increased by \$59,806 or approximately 16%.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of five parts:

- Management's Discussion and Analysis
- Basic Financial Statements
  - System-wide Financial Statements
  - Fund Financial Statements
- Required Supplementary Information
- Other Auditors' Reports
- Schedule of Findings and Responses

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

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

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

#### A. GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

The *statement of activities* presents information showing how the System's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Written agreements with member libraries stating that they agree to provide the same services to any resident of the System.
- Referral or routing of reference and interlibrary loan requests from libraries within the System.
- In-service training for participating public library personnel and trustees.
- Electronic delivery of information and physical delivery of library materials to participating libraries.
- Promotion and facilitation of library service to users with special needs.
- Cooperation, planning, and agreements with other types of libraries in the System area for the appropriate sharing of library resources to benefit the clientele of all libraries in the System area.
- Planning with the Department of Public Instruction and with libraries in the area in regard to library technology and the sharing of resources.

#### B. FUND FINANCIAL STATEMENTS

Funds are groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The System, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The System uses only governmental funds which include only a general fund.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the System's near-term financing requirements.

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

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

#### C. NOTES TO FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-38 of the financial statements.

#### FINANCIAL ANALYSIS OF THE SYSTEM AS A WHOLE

Governmental activities are the only type of service provided by the System. As noted earlier, net position may serve over time as a useful indicator of the System's financial position. At the close of 2020, the System's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$469,639.

	2019	2020
Current and other assets	\$ 3,055,399	\$ 3,183,317
Capital assets	69,945	59,445
Total assets	3,125,344	3,242,762
Deferred Outflows of Resources	239,486	201,725
Long-term liabilities	396,474	208,621
Other liabilities	1,323,396	1,327,293
Total liabilities	1,719,870	1,535,914
Deferred Inflows of Resources	2,269,108	2,378,212
Net position (deficit):		
Net investment in capital assets	69,945	59,445
Restricted pension benefit	-	75,860
Unrestricted (deficit)	(694,093)	(604,944)
Total Net Position (deficit)	\$ (624,148)	\$ (469,639)

The capital assets reported consist mainly of computers, related equipment, and software and are shown net of accumulated depreciation. There were no significant changes during the current year. Additional information regarding the System's capital assets can be found in Note II.C of this financial report.

The System's long-term debt consists of compensated absences, installment loans, and other postemployment benefits. Additional information can be found in Note II.D of this financial report.

## MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM

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

#### Change in Net Position Governmental Activities

	2019	2020
<b>Revenues</b>		
Program Revenues:		
Charges for services	\$ 1,083,493	\$ 1,103,992
General Revenues:		
State and county aid	2,875,393	2,913,324
Interest	31,107	12,295
Other	-	24,519
Total Revenues	<u>3,989,993</u>	<u>4,054,130</u>
<b>Expenses</b>		
Library Services	<u>4,058,100</u>	<u>3,899,621</u>
Change in net position	(68,107)	154,509
Net position (deficit) - beginning of year	<u>(556,041)</u>	<u>(624,148)</u>
Net position (deficit) - end of year	<u>\$ (624,148)</u>	<u>\$ (469,639)</u>

Net position increased by \$154,509 or approximately 25%.

State and county aid totaled \$2,913,324 in the current year, which is an increase of approximately \$37,931 from 2019. State and county aid comprised 71.9% of the System's total revenue.

The System follows the accounting for The Governmental Accounting Standards Board (GASB) statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This Statement replaces the requirements of *Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. This standard was implemented January 1, 2018. Overall, the OPEB obligation for health insurance decreased to \$135,416 as of December 31, 2020. The System also recorded a net OPEB liability for life insurance of \$43,165 as of December 31, 2020.

#### GOVERNMENTAL FUND BALANCE

A portion of the fund balance at December 31, 2020 has been classified as nonspendable for the following purposes:

- \$17,257 for prepaid items.

The other portion of fund balance is shown as an unassigned deficit of \$330,582.



## **MILWAUKEE COUNTY FEDERATED LIBRARY SYSTEM**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The System is facing pressures in its ability to fund library services while keeping pace with the growing demand for its services. The System will expand its fund balance in the future, as necessary, in order to continue offering its services.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Milwaukee County Federated Library System, 709 North Eighth Street, Milwaukee, WI 53233-2414.

General information about the System and its programs or services can be found on the System's web site at <http://www.mcfls.org>.

## **BASIC FINANCIAL STATEMENTS**

## Statement of Net Position

December 31, 2020

DRAFT 7/27/2021

	<b>Governmental Activities</b>
<b>Assets and Deferred Outflows of Resources</b>	
<b>Assets</b>	
Cash and investments	\$ 2,969,678
Accounts receivable	120,522
Prepaid items	17,257
Restricted - net pension asset	75,860
Capital assets, net of accumulated depreciation/amortization	<u>59,445</u>
Total assets	<u>3,242,762</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflow related to OPEB - LRLIF	25,337
Deferred outflow related to pension	<u>176,388</u>
Total deferred outflow of resources	<u>201,725</u>
<b>Liabilities, Deferred Inflow of Resources and Net Position</b>	
<b>Liabilities</b>	
Accounts payable	1,260,214
Accrued liabilities	19,079
Noncurrent liabilities:	
Due within one year	48,000
Due in more than one year	<u>208,621</u>
Total liabilities	<u>1,535,914</u>
<b>Deferred Inflow of Resources</b>	
Deferred inflow related to pension	227,436
Deferred inflow related to OPEB - LRLIF	9,287
Unearned revenue	<u>2,141,489</u>
Total deferred inflow of resources	<u>2,378,212</u>
<b>Net Position (Deficit)</b>	
Investment in capital assets	59,445
Restricted for pension	75,860
Unrestricted (deficit)	<u>(604,944)</u>
Total net position (deficit)	<u><u>\$ (469,639)</u></u>

See accompanying notes to the financial statements

## Statement of Activities

Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Library	\$ 3,899,621	\$ 1,103,992	\$ -	\$ (2,795,629)
<b>General Revenues</b>				
	Intergovernmental revenues not restricted to specific programs:			2,913,324
	Investment income			12,295
	Other Income			24,519
	Total general revenues			2,950,138
	Change in net position			154,509
	<b>Net Position (Deficit), Beginning</b>			(624,148)
	<b>Net Position (Deficit), Ending</b>			\$ (469,639)

See notes to financial statements

# **Milwaukee County Federated Library System**

Balance Sheet  
Governmental Funds  
December 31, 2020

	<b>General Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>		
Cash and investments	\$ 2,969,678	\$ 2,969,678
Accounts receivable	120,522	120,522
Prepaid items	17,257	17,257
<b>Total assets</b>	<b>3,107,457</b>	<b>3,107,457</b>
<b>Liabilities</b>		
Accounts payable	1,260,214	1,260,214
Accrued payroll	19,079	19,079
<b>Total liabilities</b>	<b>1,279,293</b>	<b>1,279,293</b>
<b>Deferred Inflow Of Resources</b>		
Unearned revenue	2,141,489	2,141,489
<b>Total deferred inflow of resources</b>	<b>2,141,489</b>	<b>2,141,489</b>
<b>Fund Balances (Deficit)</b>		
Nonspendable	17,257	17,257
Unassigned (deficit)	(330,582)	(330,582)
<b>Total fund balances (deficit)</b>	<b>(313,325)</b>	<b>(313,325)</b>
<b>Total liabilities, deferred inflow of resources and fund balances (deficit)</b>	<b>\$ 3,107,457</b>	
Amounts reported for governmental activities in the statement of net position are different because:		
Total Fund Balances (Deficit)		(313,325)
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.		
Software and equipment		1,841,919
Less accumulated depreciation/amortization		(1,782,474)
The net pension asset does not relate to current financial resources and is not reported in the governmental funds.		75,860
Deferred outflows of resources related to pension and OPEB do not relate to current financial resources and are not reported in the governmental funds.		201,725
Deferred inflows of resources related to pension and OPEB do not relate to current financial resources and are not reported in the governmental funds.		(236,723)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences		(78,040)
Net OPEB, LRLIF		(43,165)
Total OPEB, single employer		(135,416)
<b>Net Position (Deficit) of Governmental Funds</b>		<b>\$ (469,639)</b>

See notes to financial statements

**Milwaukee County Federated Library System****DRAFT 7/27/2021**

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds  
 Year Ended December 31, 2020

	<b>General Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>		
Intergovernmental	\$ 4,025,961	\$ 4,025,961
Investment income	12,295	12,295
Other	24,519	24,519
	<u>4,062,775</u>	<u>4,062,775</u>
<b>Expenditures</b>		
Current, Library	4,002,969	4,002,969
	<u>4,002,969</u>	<u>4,002,969</u>
Net change in fund balances	59,806	59,806
<b>Fund Balances (Deficit), Beginning</b>	<u>(373,131)</u>	<u>(373,131)</u>
<b>Fund Balances (Deficit), Ending</b>	<u><u>\$ (313,325)</u></u>	<u><u>\$ (313,325)</u></u>

See notes to financial statements



Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Fund to the Statement of Activities  
Year Ended December 31, 2020

**Net Change in Fund Balances, Total Governmental Funds** \$ 59,806

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Net Position, the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the Statement of Activities.

Expenditures reported in the fund financial statements but are capitalized in the system-wide financial statements	9,817
Depreciation/amortization is reported in the system-wide statements	(20,317)

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

Unavailable revenue	(8,645)
Total OPEB, single employer	111,212
Net OPEB, LRLIF	(23,394)
Compensated absences	10,720
Net pension asset	162,175
Deferred outflows related to pension	(58,020)
Deferred outflows related to OPEB, LRLIF	20,259
Deferred inflows related to OPEB, LRLIF	(886)
Deferred inflows related to pension	(108,218)

**Change in Net Position of Governmental Activities** \$ 154,509

## Index to Notes to Financial Statements

December 31, 2020

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Notes to Financial Statements  
December 31, 2020

## 1. Summary of Significant Accounting Policies

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).

### 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

## System-Wide and Fund Financial Statements

### System-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the 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.

### 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.

## Notes to Financial Statements

December 31, 2020

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 percent 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.

### 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.

**Notes to Financial Statements**  
**December 31, 2020****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.

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity****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 2 for further information.

**Receivables**

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

**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.



**Restricted Assets**

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties.

**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.

**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.

**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, 2020, there was one active employee accruing the health insurance benefit.

**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 financials statements. The face value of debt is reported as other financing sources and payments of principal and interest are reported as expenditures.

**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.

Notes to Financial Statements  
December 31, 2020

## 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.
- 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.

Notes to Financial Statements  
December 31, 2020

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.

### 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.

### 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.

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.

## 2. Detailed Notes on All Funds

### Deposits and Investments

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

	<b>Carrying Value</b>	<b>Bank Balance</b>	<b>Associated Risks</b>
Demand deposits	\$ 1,618,775	\$ 1,601,793	Custodial Credit Concentration of Credit Risk
Trust accounts	1,350,853	1,352,023	
Petty cash	50	-	
<b>Total cash and investments</b>	<b>\$ 2,969,678</b>	<b>\$ 2,953,815</b>	
Reconciliation to financial statements			
Per statement of net position:			
Unrestricted cash and investments	<u>\$ 2,969,678</u>		

Notes to Financial Statements  
December 31, 2020

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 holds and invests the System's State Aid in an agency account. The balance at December 31, 2020 was \$1,352,023. Information by investment type and maturities for December 31, 2020 is that approximately 75.71 percent 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, 2020, 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, 2020, there were no cash and investments held by the County that were uninsured and uncollateralized and exposed to custodial credit risk.

**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:

	<u>Unearned</u>
State aids for subsequent year	<u>\$ 2,141,489</u>

**Restricted Assets**

The following represent the balances of the restricted assets:

**Net Pension Asset**

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

Notes to Financial Statements  
 December 31, 2020

**Capital Assets**

Capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets being depreciated/amortized:				
Equipment	\$ 280,635	\$ 9,817	\$ (17,631)	\$ 272,821
Software	1,569,098	-	-	1,569,098
Less accumulated depreciation/ amortization for:	<u>(1,779,788)</u>	<u>(20,317)</u>	<u>17,631</u>	<u>(1,782,474)</u>
Total capital assets, net of accumulated depreciation/ amortization	<u>\$ 69,945</u>	<u>\$ (10,500)</u>	<u>\$ -</u>	<u>\$ 59,445</u>

Depreciation/amortization expense was charged to functions as follows:

<b>Governmental Activities:</b>	
Library	<u>\$ 20,317</u>

**Long-Term Obligations**

Long-term obligations activity for the year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental Activities:</b>					
Compensated absences	\$ 88,760	\$ 18,870	\$ 29,590	\$ 78,040	\$ 48,000
Total OPEB, single employer	246,628	12,324	123,536	135,416	-
Net OPEB, LRLIF	19,771	23,394	-	43,165	-
Net pension liability	<u>86,315</u>	<u>-</u>	<u>86,315</u>	<u>-</u>	<u>-</u>
	<u>\$ 441,474</u>	<u>\$ 54,588</u>	<u>\$ 239,440</u>	<u>\$ 256,621</u>	<u>\$ 48,000</u>

## Notes to Financial Statements

December 31, 2020

**Fund Balances****Governmental Funds**

Governmental fund balances reported on the fund financial statements at December 31, 2020 include the following:

**Nonspendable**

General Fund:

Prepaid items	\$ 17,257
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**Unassigned (deficit)**

General Fund, Library operations	\$ (330,582)
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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 \$313,325. This deficit will be funded by future intergovernmental revenue and/or cost savings.

**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 2020.

**Reciprocal Borrowing**

The System extends interlibrary loan services to its members. The System accrued a general fund liability for \$1,087,935 in accordance with the members' agreement. The System will contribute 38 percent, of total state aid designated for 2020 and 2021 as the sum of all reciprocal borrowing payments to be distributed during the following year.

**3. Other Information****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.

ETF issues a standalone Comprehensive Annual Financial Report, which can be found at <http://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.



Notes to Financial Statements  
 December 31, 2020

**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 December 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.

**Postretirement 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:

<b>Year</b>	<b>Core Fund Adjustment</b>	<b>Variable Fund Adjustment</b>
2010	(1.3)%	22.0%
2011	(1.2)	11.0
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)

## Notes to Financial Statements

December 31, 2020

**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 \$24,535 in contributions from the System.

Contribution rates for the plan year reported as of December 31, 2020 are:

<b>Employee Category</b>	<b>Employee</b>	<b>Employer</b>
General (Executives and Elected Officials)	6.75%	6.75%

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

At December 31, 2020, the System reported an asset of \$75,860 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019.

No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The system's proportion of the net pension asset was based on the system's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2020, the System's proportion was 0.00235266 percent, which was a decrease of 0.00007350 percent from its proportion measured as of December 31, 2019.

For the year ended December 31, 2020, the System recognized pension expense of \$28,599.

At December 31, 2020, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 144,000	\$ 72,062
Changes of actuarial assumptions	5,911	-
Net differences between project and actual earnings on pension plan	-	155,086
Changes in proportion and differences between employer contributions and proportionate share of contributions	741	288
Employer contributions subsequent to the measurement date	25,736	-
<b>Totals</b>	<b>\$ 176,388</b>	<b>\$ 227,436</b>

## Notes to Financial Statements

December 31, 2020

\$25,736 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<b><u>Deferred Outflows and Inflows of Resources (Net)</u></b>
Year Ended December 31:	
2021	\$ (22,389)
2022	(17,108)
2023	2,601
2024	(39,888)

**Actuarial Assumptions**

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2018
Measurement date of net pension asset	December 31, 2019
Actuarial cost method	Entry age normal
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 percent 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. The Total Pension Liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation.

## Notes to Financial Statements

December 31, 2020

**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 geometric real rates of return for each major asset class are summarized in the following table:

<b>Core Fund Asset Class</b>	<b>Current Asset Allocation %</b>	<b>Long-Term Expected Nominal Rate of Return %</b>	<b>Long-Term Expected Real Rate of Return %</b>
Global Equities	49%	8.0%	5.1%
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4.0	1.2
Real Estate	9	6.3	3.5
Private Equity/Debt	8	10.6	7.6
Multi-Asset	4	6.9	4.0
Total Core Fund	110	7.5	4.6
<b>Variable Fund Asset Class</b>			
U.S. Equities	70	7.5	4.6
International Equities	30	8.2	5.3
Total Variable Fund	100	7.8	4.9

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75 percent

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 percent was used to measure the total pension liability for the current and prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent and a long term bond rate of 2.75 percent. (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option adjusted analytics of a diverse population of over 10,000 tax-exempt securities.) Because of the unique structure of WRS, the 7.00 percent expected rate of return implies that a dividend of approximately 1.9 percent will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## Notes to Financial Statements

December 31, 2020

**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 (8.0 percent) than the current rate:

	<b>1% Decrease to Discount Rate (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase to Discount Rate (8.00%)</b>
System proportionate share of the net position liability (asset)	\$ 195,354	\$ (75,860)	\$ (278,624)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reportsand-statements>.

**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.

**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, 2020, however, it was renewed for 2021 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, 2020 was \$282,733.

**Economic Dependency**

The System is economically dependent on funding from state aids revenue of approximately \$2,855,319 which assists in financing the systems operating costs.

**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 2020, there was one active employee accruing benefits. The system made no contributions for 2020.

**Total OPEB Liability**

The System's total OPEB liability of \$135,416 was measured as of December 31, 2020 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 percent and a discount rate of 1.02 percent. 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, 2020, was as follows:

Balance, December 31, 2019	\$	246,628
Changes for the year:		
Service costs		12,324
Change in discount rate		(123,536)
		<u>          </u>
Balance, December 31, 2020	\$	<u>135,416</u>

**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, which can be found at <http://etf.wi.gov/publications/cafr.htm>.

Additionally, ETF issued a standalone Retiree Life Insurance Financial Report, which can be found at <https://etfonline.wi.gov/ETFGASBPublicWeb/gasb75Local.do>.



## Notes to Financial Statements

December 31, 2020

**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, 2020 are:

Coverage Type	Employer Contributions
50% Postretirement Coverage	40% of Employee Contribution
25% Postretirement Coverage	20% of Employee Contribution

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

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

Life Insurance Member 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 \$204 in contributions from the employer.

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

At December 31, 2020, the System reported a liability of \$43,165 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. 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, 2020, the System's proportion was 0.01013700 percent which was an increase of 0.00247500 percent from its proportion measured as of December 31, 2019.

For the year ended December 31, 2020, the System recognized OPEB expense of \$4,225.

At December 31, 2020, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 1,933
Net differences between projected and actual earnings on OPEB plan investments	814	-
Changes in assumptions	15,923	4,748
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,359	2,606
Employer contributions subsequent to the measurement date	241	-
Total	<u>\$ 25,337</u>	<u>\$ 9,287</u>

\$241 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<b>Net Deferred Outflows (Inflows) of Resources (Net)</b>
Years ending December 31:	
2021	\$ 2,703
2022	2,703
2023	2,616
2024	2,525
2025	2,037
Thereafter	3,225

## Notes to Financial Statements

December 31, 2020

**Actuarial Assumptions**

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Actuarial Valuation Date:	January 1, 2019
Measurement Date of Net Pension Liability (Asset)	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield	2.74%
Long-Term Expected Rate of Return:	4.28%
Discount Rate:	2.87%
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. The Total OPEB Liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the January 1, 2019 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.

Local OPEB Life Insurance  
Asset Allocation Targets and Expected Returns  
As of December 31, 2019

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return %
U.S. Credit Bonds	Barclays Credit	45%	2.12%
U.S. Long Credit Bonds	Barclays Long Credit	5	2.90
U.S. Mortgages	Barclays MBS	50	1.53
Inflation			2.20
Long-Term Expected Rate of Return			4.25

## Notes to Financial Statements

December 31, 2020

**Single Discount Rate**

A single discount rate of 2.87 percent was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 4.22 percent for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 4.10 percent as of December 31, 2018 to 2.74 percent as of December 31, 2019. 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.

**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 2.87 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 (1.87 percent) or 1-percentage-point higher (3.87 percent) than the current rate:

	<b>1% Decrease to Discount Rate (1.87%)</b>	<b>Current Discount Rate (2.87%)</b>	<b>1% Increase to Discount Rate (3.87%)</b>
Proportionate share of the net OPEB liability	\$ 59,604	\$ 43,165	\$ 30,659

**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>.

## Notes to Financial Statements

December 31, 2020

**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. 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*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*

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

## **REQUIRED SUPPLEMENTARY INFORMATION**



**Milwaukee County Federated Library System**

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual General Fund  
Year Ended December 31, 2020

	<b>Budgeted Amounts</b>			<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	<b>Final Budget</b>
<b>Revenues</b>				
Intergovernmental	\$ 4,073,926	\$ 4,092,047	\$ 4,025,961	\$ (66,086)
Investment income	7,500	15,000	12,295	(2,705)
Other	11,200	43,266	24,519	(18,747)
<b>Total revenues</b>	<b>4,092,626</b>	<b>4,150,313</b>	<b>4,062,775</b>	<b>(87,538)</b>
<b>Expenditures</b>				
Current:				
Program service expenditures				
Administration	519,987	529,936	514,942	14,994
Technology	1,938,446	1,989,684	1,872,427	117,257
Delivery	313,766	313,766	304,140	9,626
MPL resource library contract	178,457	178,457	178,457	-
Reciprocal borrowing subsidy	1,085,020	1,085,020	1,085,020	-
Continuing Ed multitype needs	20,500	17,000	11,533	5,467
Interlibrary loan	36,450	36,450	36,450	-
<b>Total expenditures</b>	<b>4,092,626</b>	<b>4,150,313</b>	<b>4,002,969</b>	<b>147,344</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>59,806</b>	<b>\$ 59,806</b>
<b>Fund Balance (Deficit), Beginning</b>			<b>(373,131)</b>	
<b>Fund Balance (Deficit), Ending</b>			<b>\$ (313,325)</b>	

See notes to required supplementary information

# **Milwaukee County Federated Library System**

## **Schedule of Changes in the System's Total OPEB Liability and Related Ratios Year Ended December 31, 2020**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Total OPEB Liability</b>			
Service cost	\$ 12,324	\$ 34,603	\$ 36,588
Change in assumptions	(123,536)	(12,039)	-
Adjustment to prior year	-	-	61,544
Net change in total OPEB liability	(111,212)	22,564	98,132
<b>Total OPEB Liability, Beginning</b>	<b>246,628</b>	<b>224,064</b>	<b>125,932</b>
<b>Total OPEB Liability, Ending</b>	<b>\$ 135,416</b>	<b>\$ 246,628</b>	<b>\$ 224,064</b>
<b>Covered-Employee Payroll</b>	<b>\$ 381,268</b>	<b>\$ 374,595</b>	<b>\$ 376,029</b>
<b>Total OPEB Liability as a Percentage of Covered-Employee Payroll</b>	<b>35.52%</b>	<b>65.84%</b>	<b>59.59%</b>

Notes to Schedule:

*Benefit Changes.* There have been no benefit changes

*Changes of Assumptions.* The discount rate changed from 1.09% in 2019 to 1.02% in 2020.

The System implemented GASB Statement No. 75 in 2018. Information prior to fiscal year 2018 is not available.

**Milwaukee County Federated Library System**

Schedule of Proportionate Share of the Net Pension Liability (Asset) - Wisconsin Retirement System  
Year Ended December 31, 2020

WRS Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
December 31, 2014	0.00279081%	\$ (68,550)	\$ 368,826	18.59%	102.74%
December 31, 2015	0.00267786%	43,515	364,340	11.94%	98.20%
December 31, 2016	0.00258987%	21,347	371,374	5.75%	99.12%
December 31, 2017	0.00255482%	(75,855)	376,029	20.17%	102.93%
December 31, 2018	0.00242616%	86,315	336,677	25.64%	96.45%
December 31, 2019	0.00235266%	(75,860)	374,595	20.25%	102.96%

Schedule of Employer Contributions - Wisconsin Retirement System  
Year Ended December 31, 2020

System Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2015	\$ 24,775	\$ (24,775)	-	\$ 364,340	6.80%
December 31, 2016	24,511	(24,511)	-	371,374	6.60%
December 31, 2017	25,570	(25,570)	-	376,029	6.80%
December 31, 2018	22,558	(22,558)	-	336,677	6.70%
December 31, 2019	24,536	(24,536)	-	374,595	6.55%
December 31, 2020	25,736	(25,736)	-	381,268	6.75%

See notes to required supplementary information

**Milwaukee County Federated Library System**

Schedule of Proportionate Share of the Net OPEB Liability - LRLIF  
Year Ended December 31, 2020

<b>Plan Year End Date</b>	<b>Proportion of the Net OPEB Liability</b>	<b>Proportionate Share of the Net Liability</b>	<b>Covered Payroll</b>	<b>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>
December 31, 2017	0.008990000%	\$ 27,047	\$ 378,055	7.15%	44.81%
December 31, 2018	0.007662000%	19,771	367,000	5.39%	48.69%
December 31, 2019	0.010137000%	43,165	382,000	11.30%	37.58%

Schedule of Employer Contributions - LRLIF  
Year Ended December 31, 2020

<b>System Year End Date</b>	<b>Contractually Required Contributions</b>	<b>Contributions in Relation to the Contractually Required Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
December 31, 2018	\$ 248	\$ 248	\$ -	\$ 376,029	0.07%
December 31, 2019	204	(204)	-	374,595	0.05%
December 31, 2020	241	(241)	-	381,268	0.06%

See notes to required supplementary information

Notes to Required Supplementary Information  
December 31, 2020

### **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**

No significant change in assumptions were noted from the prior year.

### **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**

Several actuarial assumptions changed from the prior year, including the single discount rate, long-term expected rate of return and expected inflation. Please refer to the actuarial assumptions sections noted in Note 3.

## **OTHER AUDITOR'S REPORTS**



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

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Milwaukee County Federated Library System  
Milwaukee, 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 Milwaukee County Federated Library System, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Milwaukee County Federated Library System's basic financial statements, and have issued our report thereon dated August 16, 2021.

**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. Accordingly, we do not express an opinion on the effectiveness of the Milwaukee County Federated Library System's internal control.

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

Our consideration of 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002 that we consider to be significant deficiencies.

## **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*.

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

The Milwaukee County Federated Library System's response to the findings identified in our audit is 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 it.

## **Purpose of this Report**

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

Milwaukee, Wisconsin  
August 16, 2021

Schedule of Findings and Responses  
December 31, 2020

## Section I - Findings and Responses

### Finding 2020-001: Lack of Segregation of Duties

*Criteria:* 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.

*Condition:* 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.

*Context:* 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.

*Effect:* Errors or irregularities could occur and not be detected in a timely manner.

*Cause:* The System has a limited number of staff.

*Recommendations:* 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.

*Management's Response:* Management concurs with the finding and has determined that the economic cost of addressing this issue outweighs 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.

Schedule of Findings and Responses  
December 31, 2020

**Finding 2020-002: Internal Control Over Financial Reporting - Financial Statement Preparation**

*Criteria:* Statement on Auditing Standards No.115 requires the communication of significant deficiencies and material weaknesses in the year end reporting process.

*Condition:* 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.

*Effect:* Information provided to management throughout the year may not be presented in accordance with generally accepted accounting principles.

*Cause:* Due to staffing and financial limitations, the System chooses to contract with the auditors to prepare the annual financial statements.

*Recommendations:* 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.

*Management's Response:* 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.

August 16<sup>th</sup>, 2021

To: MCFLS Board of Trustees

From: Steve Heser, MCFLS Director

Re: 2021 Mid-year Revised Budget

An explanation of the major changes to the mid-year budget for 2021:

#### Revenues

- Line 6— interest on invested funds reported for first quarter was less than anticipated and this line is reduced as a result.
- Line 20— carryover amount from 2020 increased by \$47,805.
- Line 22— passthrough line (90). The move from RBDigital to OverDrive for magazines saved member libraries just under \$20,000 in 2021.
- Line 24— passthrough line (95). Reflects actual reimbursements made by DPI to MCFLS for CARES Act activities.
- Line 27— passthrough line (98). MPL has contributed \$390,000 to the MCFLS Advantage fund.

#### Expenditures

- Lines 42-43 – Reduction in salaries and benefits due to staff turnover.
- Line 59—MCFLS will cover costs for full MARC records for unique Advantage records. Will save staff time in enhancing these records for both MPL and MCFLS.
- Line 73—New WiscNet internet router expense.
- Line 77—Additional funding to completely cover nine new replacement gateway routers for member libraries. This line will also cover laptop replacements for MCFLS desktops to better facilitate remote work and network security.
- Line 80—DPI will cover half of 2021 costs for statewide delivery.
- Line 91—Increased marketing line to support new Public Information Coordinator role.
- Line 92—Moved the contract worker expense line to regular staff position under salaries and benefits.
- Line 99—MCFLS will match member library contributions to OverDrive Advantage for 2021.
- Line 100—Created additional line to show MCFLS expenses related to Digicorp support in early 2021.
- Lines 101-102—New lines to allow support for Youth and Inclusive Services liaisons.

1		<u>2021 Approved</u>	<u>2021 Budget Revision</u>	<u>+/-</u>	<u>Notes</u>
2	<b>General Revenues</b>				
3	State Aid Revenue	\$ 2,855,319	\$ 2,855,319	\$ -	
4	Milwaukee County Allocation	\$ 66,650	\$ 66,500	\$ (150)	
5	West Milwaukee Contract -Other	\$ 60,152	\$ 60,152	\$ -	
6	Interest on Invested Funds	\$ 10,000	\$ 5,000	\$ (5,000)	Interest less than expected
7	Member Forms/Supplies Revenue	\$ 20,600	\$ 20,600	\$ -	
8	Member Postage Revenue	\$ 23,800	\$ 23,800	\$ -	
9	Member OCLC Revenue	\$ 125,035	\$ 125,036	\$ 1	
10	Member Telecomm. Revenue	\$ 16,800	\$ 16,900	\$ 100	
11	Member III Softwre Maint-Basic	\$ 181,188	\$ 181,188	\$ -	
12	Member III Softwre Maint-Other	\$ 47,561	\$ 48,910	\$ 1,349	
13	Member Tech. Assist.-Time Rev.	\$ 15,000	\$ 15,000	\$ -	
14	Member Special Projects Revenu	\$ 75,000	\$ 75,000	\$ -	
15	Member Cataloging Contract Rev	\$ 187,546	\$ 187,547	\$ 1	
16	Member Database Revenue	\$ 81,035	\$ 81,010	\$ (25)	
17	Member Catalog Enhancement Rev	\$ 29,648	\$ 29,648	\$ -	
18	Member Ecommerce Transaction	\$ 8,600	\$ 8,600	\$ -	
19	TNS Calls/Notices Revenue	\$ 1,224	\$ 1,224	\$ -	
20	Carryover Revenue	\$ 12,000	\$ 59,805	\$ 47,805	Additional carryover revenue
21	Staff Benefits/Co-Pay Revenue	\$ 38,289	\$ 36,457	\$ (1,832)	Staffing changes
22	Member Digital Content Rev	\$ 267,583	\$ 247,712	\$ (19,871)	Member costs lower for hoopla, OverDrive reductions
23	Member PC Management License Rev	\$ 2,545	\$ 2,545	\$ -	
24	LSTA Technology Grant Revenue	\$ 10,000	\$ 4,737	\$ (5,263)	Passthrough; reflects actual grant revenue
25	MemberMKE Mixers Revenue	\$ 1,400	\$ 1,350	\$ (50)	
26	Member Replacement Fines Revenue	\$ 12,000	\$ 7,000	\$ (5,000)	Passthrough estimate revision
27	Member OverDrive Advantage Rev	\$ 15,000	\$ 405,000	\$ 390,000	Additional contributions from MPL for Advantage
28	<b>Total General Revenues</b>	\$ 4,163,975	\$ 4,566,040	\$ 402,065	
29					
30	<b>Special Revenues</b>				
31	Milwaukee County Advantage Revenue	\$ -	\$ 50,000	\$ 50,000	
32	W. Milwaukee Borrowing Revenue	\$ 31,467	\$ 31,467	\$ -	
33	Ecommerce Revenue	\$ 175,000	\$ 175,000	\$ -	
34	<b>Total Special Revenues</b>	\$ 206,467	\$ 256,467	\$ 50,000	
35					
36	<b>Total Revenues</b>	\$ 4,370,442	\$ 4,822,507	\$ 452,065	
37					
38					
39		<u>2021 Approved</u>	<u>2021 Budget Revision</u>	<u>+/-</u>	
40					
41	<b>General Expenditures</b>				
42	Fringe Benefits Expense	\$ 195,231	\$ 185,449	\$ (9,782)	Staffing changes
43	Salaries Expense	\$ 389,272	\$ 347,574	\$ (41,698)	Staffing changes
44	Telephone Renewal Expense	\$ 608	\$ 608	\$ -	
45	Member Ecommerce Transaction E	\$ 8,600	\$ 8,600	\$ -	
46	TNS Calls/Notices Expense	\$ 1,224	\$ 1,224	\$ -	
47	Mileage/Auto Maint Expense	\$ 700	\$ -	\$ (700)	
48	Conference/Training Expense	\$ 5,000	\$ 5,000	\$ -	
49	Memberships Expense	\$ 5,000	\$ 8,000	\$ 3,000	Moving WLA Outreach Membership to this line from contingency
50	Continuing Education Expense	\$ 9,000	\$ 9,000	\$ -	
51	Office Supplies Expense	\$ 1,500	\$ 1,500	\$ -	
52	Copy Machine Maint. Expense	\$ 2,500	\$ 2,000	\$ (500)	
53	MCFLS Printing Expense	\$ 500	\$ 500	\$ -	
54	MCFLS Printing for Mem Expense	\$ 5,000	\$ 5,000	\$ -	
55	MCFLS WI Pub Lib Consortium Ex	\$ 5,855	\$ 5,855	\$ -	
56	MCFLS Buying Pool	\$ 140,000	\$ 140,000	\$ -	
57	MCFLS Database Expense	\$ 21,953	\$ 21,883	\$ (70)	
58	Member Database Expense	\$ 81,035	\$ 81,010	\$ (25)	
59	MCFLS Catalog Enhancement Expe	\$ 81,119	\$ 87,612	\$ 6,493	Additional MARC records for Advantage
60	Member Catalog Enhancement Exp	\$ 29,648	\$ 29,648	\$ -	
61	MCFLS Postage Expense	\$ 600	\$ 600	\$ -	
62	Member Postage Expense	\$ 20,600	\$ 20,600	\$ -	
63	Member Forms/Supplies Expense	\$ 23,800	\$ 23,800	\$ -	
64	Telephone Expense	\$ 5,000	\$ 6,000	\$ 1,000	Additional lines needed
65	Meetings Expense	\$ 500	\$ 1,000	\$ 500	
66	Insurance Expense	\$ 11,700	\$ 11,700	\$ -	
67	Legal Expense	\$ 500	\$ 2,000	\$ 1,500	Telecommuting policy review
68	Audit Expense	\$ 13,000	\$ 13,000	\$ -	
69	Payroll Service Expense	\$ 5,400	\$ 5,400	\$ -	

70	III Software Support Expense	\$ 228,749	\$ 226,835	\$ (1,914)	
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	\$ 15,000	\$ 10,000	New Wiscnet router expense
74	OCLC Expense	\$ 135,047	\$ 133,944	\$ (1,103)	
75	MCFLS Computer Room Equipment	\$ 5,000	\$ 10,000	\$ 5,000	
76	MCFLS Software Expense	\$ 3,500	\$ 6,500	\$ 3,000	Software for marketing position
77	MCFLS Equipment Expense	\$ 16,000	\$ 36,000	\$ 20,000	Replace 9 member library routers, MCFLS staff workstations
78	Member Special Projects Expens	\$ 75,000	\$ 75,000	\$ -	
79	Sorting and Delivery Expense	\$ 291,700	\$ 291,700	\$ -	
80	South Central Delivery Expense	\$ 21,856	\$ 10,928	\$ (10,928)	2nd half of 2021 paid by DPI as part of PLSR process
81	Auto Payment/Maintenance Exp.	\$ 1,000	\$ -	\$ (1,000)	Sold staff vehicle
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	\$ 256,979	\$ 256,979	\$ -	
86	Member Catalog Contract Exp.	\$ 187,546	\$ 187,546	\$ -	
87	MCFLS Collection Dev Tool	\$ 25,935	\$ 25,935	\$ -	
88	Internet Expense	\$ 21,635	\$ 21,635	\$ -	
89	Contingency Expense	\$ 33,411	\$ 73,148	\$ 39,737	
90	Member Digital Content Exp	\$ 267,583	\$ 247,712	\$ (19,871)	Reduced cost and refunds for OverDrive magazine expense
91	Marketing	\$ 10,000	\$ 20,000	\$ 10,000	Additional marketing funding
92	Marketing Consultant/Contract Exp	\$ 40,500	\$ -	\$ (40,500)	Moved to regular staff position
93	Cooperative Purchasing Sub Exp	\$ 2,200	\$ 2,388	\$ 188	
94	Member PC Management License Exp	\$ 1,875	\$ 1,876	\$ 1	
95	LSTA Technology Grant Expense	\$ 10,000	\$ 4,737	\$ (5,263)	Passthrough line 24
96	Member MKE Mixer Expense	\$ 1,400	\$ 1,400	\$ -	
97	Member Replacement Fines Exp	\$ 12,000	\$ 7,000	\$ (5,000)	Passthrough estimate revision
98	Member OverDrive Advantage Exp	\$ 15,000	\$ 405,000	\$ 390,000	Additional MPL funding of OverDrive
99	MCFLS OverDrive Advantage Exp	\$ -	\$ 15,000	\$ 15,000	System matching contribution for Advantage
100	MCFLS Technical Support Exp	\$ -	\$ 25,000	\$ 25,000	Additional Digicorp Support
101	Youth Services Exp	\$ -	\$ 5,000	\$ 5,000	Funding to support activities remainder of 2021
102	Inclusive Services Exp	\$ -	\$ 5,000	\$ 5,000	Funding to support activities remainder of 2021
103	<b>Total General Expenditures</b>	\$ 3,107,507	\$ 3,509,572	\$ 402,065	
104					
105	<b>Special Expenditures</b>				
106	Milwaukee County Advantage Expense	\$ -	\$ 50,000	\$ 50,000	
107	W. Milwaukee Borrowing Expense	\$ 31,467	\$ 31,467	\$ -	
108	RB - MCFLS Payment Expense	\$ 1,056,468	\$ 1,056,468	\$ -	
109	Ecommerce Expense	\$ 175,000	\$ 175,000	\$ -	
110	<b>Total Special Expenditures</b>	\$ 1,262,935	\$ 1,312,935	\$ 50,000	
111				\$ -	
112	<b>Total Expenditures</b>	\$ 4,370,442	\$ 4,822,507	\$ 452,065	
113					
114					
115	<b>Revenue/Expenditures +/-</b>	\$ (0)	\$ (0)		
116					



## MCFLS Employee Manual Telecommuting Policy and Procedures

### Objective

Telecommuting allows employees to work at home, on the road or in a satellite location for all or part of their workweek. The Milwaukee County Federated Library System considers telecommuting to be a viable, flexible work option when both the employee and the job are suited to such an arrangement. Telecommuting may be appropriate for some employees and jobs but not for others.

In order to work from home, an employee must:

1. Be accessible during their regularly scheduled work day via IM, email, and/or telephone;
2. Have similar work hours as the regularly scheduled work day. Any variations must be approved in advance by the MCFLS Director and must consider service implications to member libraries and other system staff;
3. Be able to complete job duties, either remotely or having brought work home;
4. Schedule work days from home with Director approval; or
5. In the event that working from home was unplanned or short-notice (e.g. snowed in, broken refrigerator and repair person coming in, etc.) employee must contact Director for approval remotely and prepare to report back on work/projects completed;
6. If the employee calls in sick, sick time must be used for that day. Employees are also prohibited from working remotely during leaves of absence without prior approval.

Any extended telecommuting arrangement made will be on a trial basis for the first three months and may be discontinued at will and at any time at the request of either the telecommuter or the system. Every effort will be made to provide 30 days' notice of such change to accommodate commuting, child care and other issues that may arise from the termination of a telecommuting arrangement. There may be instances, however, when no notice is possible.

### Eligibility

Before entering into any telecommuting agreement, the employee and MCFLS Director, with the assistance of the Business Manager, will evaluate the suitability of such an arrangement, reviewing the following areas:

- Employee suitability. The employee and MCFLS Director will assess the needs and work habits of the employee. For more information refer to the Employee Suitability section below.
- Job responsibilities. The employee and MCFLS Director will discuss the job responsibilities and determine if the job is appropriate for a telecommuting arrangement. For more information refer to the Job Responsibilities section below.
- Equipment needs, workspace design considerations and scheduling issues. The employee and MCFLS Director will review the physical workspace needs and the appropriate location for the telework. For more information refer to the Maintenance, Repair and Replacement of Equipment section below.

- Tax and other legal implications. The employee must determine any tax or legal implications under IRS, state and local government laws, and/or restrictions of working out of a home-based office. Responsibility for fulfilling all obligations in this area rests solely with the employee.

If the employee and MCFLS Director agree, a draft telecommuting agreement will be prepared and signed by all parties, and a three-month trial period will commence.

Evaluation of telecommuter performance during the trial period will include regular remote interactions between the employee and the MCFLS Director, and face to face meetings, as necessary. At the end of the trial period, the employee and MCFLS Director will each complete an evaluation of the arrangement and make recommendations for continuance or modifications. Evaluation of telecommuter performance beyond the trial period will be consistent with that received by employees working at the office in both content and frequency but will focus on work output and completion of objectives rather than on time-based performance.

An appropriate level of communication between the telecommuter and supervisor will be agreed to as part of the discussion process and will be at a level consistent with employees working at the office or in a manner and frequency that is appropriate for the job and the individuals involved.

#### Implementation Terms

- Any telecommuting arrangement must be approved by the MCFLS Director and terms agreed to by employee and system within the telecommuting agreement.
- Telecommuting used as a transitional work program to aid an employee's return to work from disability will be administered consistent with existing policies and laws.
- Telecommuting may not be used as a substitute for child or home health care.
- Employees must follow MCFLS policies and procedures while telecommuting.
- Employees may be provided with MCFLS-owned equipment and software to access the MCFLS network.
- Employees are responsible for providing an appropriate home work space.

MCFLS is not responsible for the following work-from-home expenses:

- Internet access costs
- Utility costs associated with use of the computer or occupation of the home.
- Employee-purchased office supplies. Employees should obtain office supplies from the MCFLS Headquarters.

#### Employee Suitability

MCFLS recognizes that telecommuting may not be a viable work option for all employees. Telecommuting should be offered only to employees who have successfully completed their orientation period, whose performance is satisfactory, who work effectively with minimal supervision, who can maintain a safe and ergonomically sound home work area, free from distractions. Telecommuting employees should have high-speed internet access, be reachable by phone, and hold homeowner or renter insurance, including liability insurance for third party claims and other damages unrelated to any work done for MCFLS.

A successful telecommuter should reliably and responsibly complete work duties, understand job duties fully, be trustworthy, and have the ability to establish priorities and demonstrate effective time management habits

#### Job Responsibilities

Not all positions may be compatible with telecommuting. In order to determine if a MCFLS position is compatible, the following will be considered:

- Percentage of job duties that may be performed off-site without disruption to work flow and communication.
- Whether tasks may be completed independent of other employees or, for shared tasks, that the work can be equitably split so that telecommuting schedules do not require in-office staff to do the telecommuter's work.
- Whether the position has a MCFLS extension and voicemail account for member libraries to contact the employee when telecommuting.

#### Scheduling

All approved telecommuting schedules require the MCFLS Director's approval and the terms agreed to by employee and system within the telecommuting agreement. Service to member libraries takes precedence over telecommuting. An employee must forego telecommuting if needed at MCFLS Headquarters. The MCFLS Director may approve single days on an ad-hoc basis due to temporary conditions such as inclement weather.

#### Maintenance, Repair and Replacement of Equipment

MCFLS is responsible for maintaining MCFLS-owned equipment issued to telecommuting employees. The employee must notify the MCFLS Director in the event of the malfunction of MCFLS-owned equipment. The Milwaukee County Federated Library System reserves the right to make determinations as to appropriate equipment, subject to change at any time.

The employee is responsible for maintaining and repairing employee-owned equipment at personal expense and on personal time.

#### Health and Safety

Telecommuting employees are responsible for creating a space in their home for work. This space must be ergonomically sound, clean, safe and free from obstructions and hazardous materials.

If a telecommuting employee incurs a work-related injury while telecommuting, worker's compensation law and rules apply. Employees must notify the MCFLS Director and complete all required paperwork regarding the injury.



## **Telecommuting Agreement**

### **Employee Information**

Name: \_\_\_\_\_ Hire date: \_\_\_\_\_

Job title: \_\_\_\_\_

Department: \_\_\_\_\_

This telecommuting agreement will begin and revisited on the following dates:

Start date: \_\_\_\_\_ Renewal date: \_\_\_\_\_

### **The employee agrees to the following conditions:**

The employee will remain accessible and productive during scheduled hours.

The employee will record all hours worked and meal periods taken in accordance with regular timekeeping practices.

The employee will obtain supervisor approval prior to working unscheduled hours.

The employee will report to the employer's work location as necessary upon directive from his or her supervisor.

The employee will communicate regularly with his or her supervisor and co-workers.

The employee will comply with all Milwaukee County Federated Library System rules, policies, practices and instructions that would apply if the employee were working at the employer's work location.

The employee will maintain satisfactory performance standards.

The employee will make arrangements for regular dependent care and understands that telecommuting is not a substitute for dependent care. In extraordinary circumstances, temporary exceptions may be made for employees with caregiving responsibilities.

The employee will maintain a safe and secure work environment at all times.

The employee will report work-related injuries to his or her manager as soon as practicable.

The employee agrees to protect System tools and resources from theft or damage and to report theft or damage to his or her manager immediately.

The employee agrees to comply with Milwaukee County Federated Library System's policies and expectations regarding information security. The employee will be expected to ensure the protection of proprietary company and customer information accessible from their home offices.

The Milwaukee County Federated Library System will reimburse employee for mileage to conferences and continuing education opportunities. The organization will not reimburse telecommuting employees travel into the office or to member library locations.

The employee understands that all terms and conditions of employment with the company remain unchanged, except those specifically addressed in this agreement.

The employee understands that management retains the right to modify this agreement on a temporary or permanent basis for any reason at any time.

The employee agrees to return the organization's equipment, as appropriate, within five days of termination of employment.

Employee signature: \_\_\_\_\_ Date: \_\_\_\_\_

Manager signature: \_\_\_\_\_ Date: \_\_\_\_\_

Director signature: \_\_\_\_\_ Date: \_\_\_\_\_



## Telecommuting Evaluation

### Objective

To be completed by both the employee and the MCFLS Director to determine the success of the telecommuting arrangement trial.

### Employee Information

Employee: \_\_\_\_\_

Manager: \_\_\_\_\_

Department: \_\_\_\_\_

### Evaluation

- Are the employee's needs and work habits a good fit for telecommuting?
  - ☐ Yes
  - ☐ No

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- Are the job responsibilities appropriate for telecommuting?
  - ☐ Yes
  - ☐ No

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- Are the employee's workspace and equipment needs appropriate for telecommuting?
  - Yes
  - No

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- Is telecommuting beneficial for the both the employee and the organization?
  - Yes
  - No

Comments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

### Final Recommendation

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Employee Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Director Signature: \_\_\_\_\_ Date: \_\_\_\_\_

If the employee and MCFLS Director are both in agreement regarding moving forward with permanent telecommuting for the employee, please provide a signed Telecommuting Agreement with this evaluation. The telecommuting agreement will be revisited on an annual basis.



## Unbudgeted Expense Threshold Needed for Board Approval

### Current Threshold

The current threshold for unbudgeted expenses needing MCFLS Board approval is \$500. This threshold is not based on a policy decision but on past practice going back decades. Unbudgeted expenses come out of the contingency line in the MCFLS budget.

### Proposed Threshold

MCFLS staff recommend raising the threshold to \$2,500 with the understanding that the MCFLS Director is responsible for ensuring any expenses can be covered through the contingency line. Trustees can request a reporting of these expenses at any time.

## Results of MCFLS Expenditure Survey

### Summary

The survey was completed by 23 respondents.

I weighted scores for Moderate and High Priority activities to identify options that appeared to have greater interest. If options have the same total points, those with higher priority were ranked above others.

- Moderate priority scores were multiplied by 1
- High priority scores were multiplied by 2

Example:

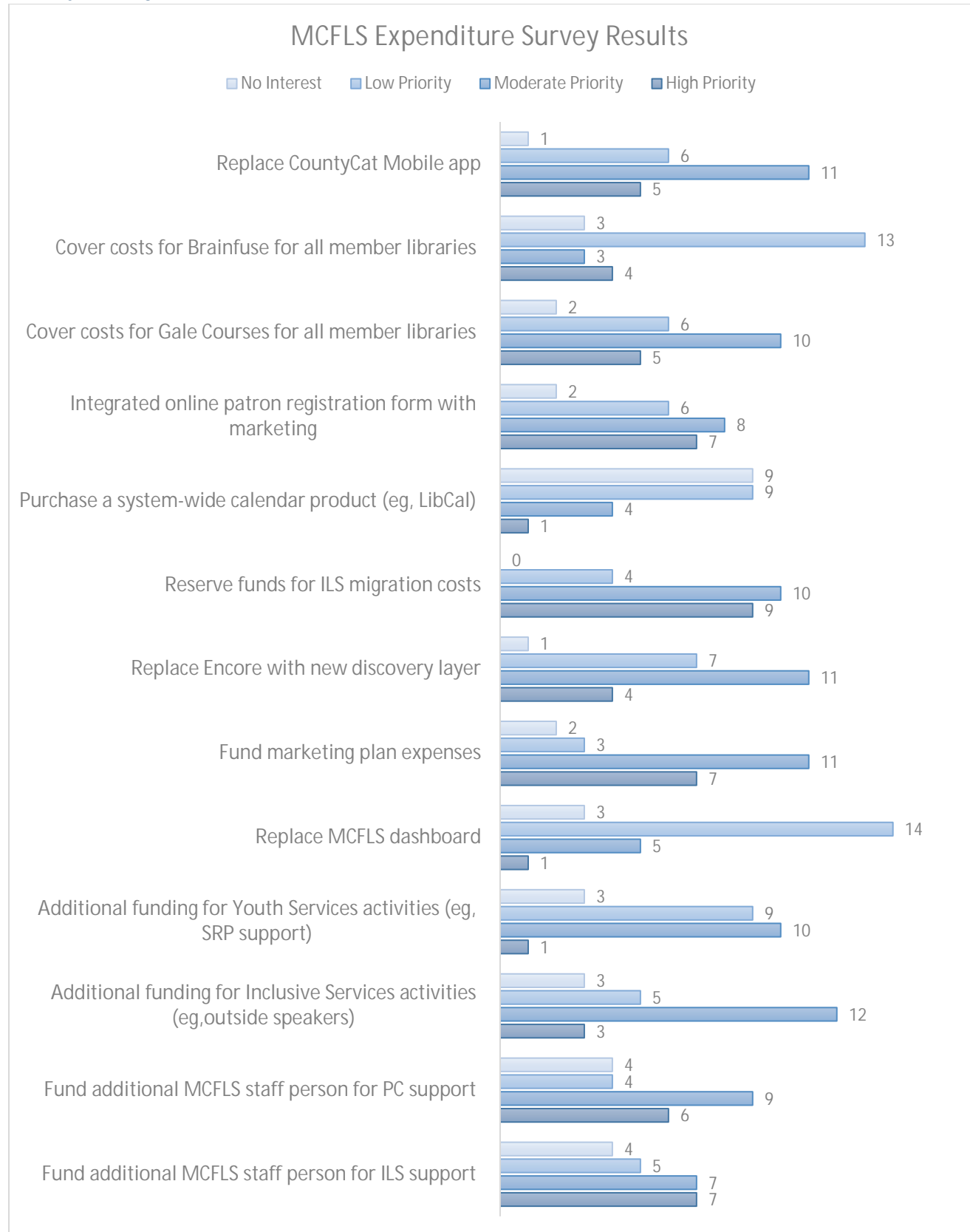
Reserve funds for ILS migration costs. Moderate priority (10 x 1) = 10 + High priority (9 x 2) = 18  
Total Points = 28

Funding option	Moderate Priority	High Priority	Total Points
Reserve funds for ILS migration costs	10	9	28
Fund marketing plan expenses	11	7	25
Integrated online patron registration form with marketing	8	7	22
Fund additional MCFLS staff person for ILS support	7	7	21
Fund additional MCFLS staff person for PC support	9	6	21
Replace CountyCat Mobile App	11	5	21
Cover costs for Gale Courses for all member libraries	10	5	20
Replace Encore with new discovery layer	11	4	19
Additional funding for Inclusive Services activities	12	3	18
Additional funding for Youth Services activities	10	1	12
Cover costs for Brainfuse for all member libraries	3	4	11
Replace MCFLS Dashboard	5	1	7
Purchase a system-wide calendar product	4	1	6

### Identity

Response	Number of Submissions	% of Overall Submissions
MCFLS Trustee	4	17.39%
LDAC Representative	14	60.87%
MCFLS Staff	5	21.74%
Total	23	100.00%

## Priority ranking



### Other Suggestions

Suggestion	Priority
R&D and potential implementation for Universal Virtual Patron Account and Program Attendance scan-in technology for collecting demographic and address data	High
Reverse the percentage reductions in Reciprocal Borrowing payments to net lending libraries that have been made in the past several years.	High
Do all in our power to keep library services vital to our residents!	High
Increase Hoopla spending or add Kanopy	Medium
It would be helpful to have resources directed toward MCFLS network security and best practices.	High
Support reciprocal borrowing fees to offset some the continual decrease in this area.	High
Increase reciprocal rate.	High
It's important for MCFLS to continue funding shared electronic resources, but finding the right one(s) is a challenge. I've ranked Gale and Brainfuse Low for that reason, but would change that to High if we had resources that were in constant high demand. Usage is always less than hoped. Perhaps the improvement in marketing of shared resources will address this. When we find the right eresource mix it's key to make it available to everyone in the county equitably.	High
Cover some of the costs (such as cataloging and ILS costs) that are currently being passed on to the member libraries.	High

### List anything you would like to see MCFLS not focus on

Suggestion
I strongly prefer that MCFLS not continue to seek funding for additional staffing of its own future services.
If we provide support for online resources, I would like to see an analysis of which communities would benefit from the resources. I feel that many online resources are more widely used by those with higher income levels and better access to the internet and technology, and less widely used in communities with lower income levels and lower access to technology.
MCFLS should not be funding library services in place of municipal responsibilities.
diversity equity inclusion - local libraries can handle this depending on their community needs
As a proponent of phasing out reciprocal borrowing, I would hate to see any of the additional funding added to the pool of reciprocal borrowing money.

### Do you have any other comments for MCFLS regarding this topic?

Comment
There has been substantial MCFLS "mission creep" in recent years, which diverts funding away from the front line service providers--the local libraries.
Print materials are not part of this list. I get that it's easy to provide ubiquitous access across the county to electronic materials, but there is a digital divide in our county, and not everyone can take advantage of the e-content. Could we consider giving libraries money for print collections, with the expectation that the collection is made immediately available for lending within MCFLS?
I have more insider information about MCFLS behind the scenes than perhaps other respondents. From my POV I can't emphasize enough how MCFLS could benefit from more staff. Especially when we compare our system staffing to others in the state. I would be very curious to see a one-page comparison of systems - budget, staffing, services offered, customer base, etc.

Library	III Basic Software	III Add-On Software	OCLC	Cataloging	Internet	Shoutbomb Notices	CountyCat Mobile	OverDrive	OverDrive Advantage	OverDrive Magazines	MyPC License	MyPC Server
Brown Deer	\$4,455	\$1,915	\$3,710	\$5,256	\$1,200	\$402	\$250	\$2,272	\$232	\$308	\$286	\$180
Cudahy	\$6,780	\$1,834	\$7,466	\$9,046	\$1,200	\$402	\$500	\$2,707	\$276	\$308	\$286	\$180
Franklin	\$12,378	\$1,114	\$9,367	\$10,964	\$1,200	\$402	\$1,000	\$8,226	\$838	\$616	\$286	\$180
Greendale	\$7,418	\$2,395	\$5,329	\$6,890	\$1,200	\$402	\$500	\$3,659	\$373	\$308	\$286	\$180
Greenfield	\$8,569	\$4,869	\$6,445	\$8,015	\$1,200	\$402	\$1,000	\$5,773	\$588	\$616	\$0	\$0
Hales Corners	\$4,047	\$727	\$4,917	\$6,474	\$1,200	\$402	\$250	\$1,462	\$149	\$308	\$286	\$180
Milwaukee	\$63,143	\$20,295	\$24,724	\$26,461	\$0	\$4,020	\$10,000	\$63,554	\$6,476	\$3,695	\$0	\$0
North Shore	\$9,904	\$1,042	\$4,911	\$6,468	\$1,200	\$402	\$750	\$9,118	\$929	\$616	\$0	\$0
Oak Creek	\$8,465	\$2,880	\$7,191	\$8,768	\$1,200	\$402	\$1,000	\$6,787	\$692	\$616	\$286	\$180
St. Francis	\$4,572	\$708	\$4,991	\$6,548	\$1,200	\$402	\$250	\$1,881	\$192	\$308	\$286	\$180
Shorewood	\$8,887	\$1,805	\$6,550	\$8,121	\$1,200	\$402	\$500	\$5,951	\$606	\$616	\$286	\$180
South Milwaukee	\$6,206	\$1,044	\$6,322	\$7,892	\$1,200	\$402	\$750	\$3,385	\$345	\$308	\$0	\$0
Wauwatosa	\$20,242	\$4,075	\$16,429	\$18,091	\$1,200	\$402	\$1,250	\$16,800	\$1,712	\$924	\$0	\$0
West Allis	\$11,906	\$4,200	\$14,882	\$16,530	\$1,200	\$402	\$1,500	\$8,506	\$867	\$924	\$0	\$0
Whitefish Bay	\$8,745	\$1,035	\$4,103	\$5,652	\$1,200	\$402	\$500	\$7,134	\$727	\$616	\$286	\$180
TOTAL	\$185,717	\$49,938	\$127,336	\$151,176	\$16,800	\$9,648	\$20,000	\$147,215	\$15,000	\$11,084	\$2,575	\$1,620

2022 Projected  
Member Library Costs

Library	Ancestry	Mango	Brainfuse	hoopla	Gale Courses	Ecommerce	Telephone Notifications	Milwaukee Mixers	Postage & Forms	Total
Brown Deer	\$0	\$0	\$1,474	\$1,547	\$1,608	\$200	\$57	\$50	\$1,300	\$26,701
Cudahy	\$1,047	\$0	\$2,409	\$1,550	\$452	\$200	\$61	\$50	\$1,100	\$37,852
Franklin	\$1,047	\$1,873	\$0	\$4,680	\$1,079	\$500	\$67	\$50	\$2,000	\$57,867
Greendale	\$1,047	\$0	\$2,169	\$2,126	\$463	\$400	\$69	\$50	\$1,800	\$37,064
Greenfield	\$0	\$0	\$4,097	\$2,832	\$807	\$400	\$74	\$50	\$1,300	\$47,037
Hales Corners	\$1,047	\$0	\$0	\$1,253	\$147	\$100	\$37	\$50	\$1,100	\$24,135
Milwaukee	\$0	\$0	\$0	\$37,665	\$31,000	\$1,500	\$561	\$50	\$17,200	\$310,344
North Shore	\$1,047	\$0	\$0	\$5,242	\$1,030	\$400	\$41	\$50	\$1,600	\$44,750
Oak Creek	\$1,047	\$0	\$4,561	\$3,867	\$2,945	\$300	\$79	\$50	\$2,300	\$53,615
St. Francis	\$1,047	\$0	\$1,225	\$1,106	\$678	\$200	\$28	\$50	\$800	\$26,652
Shorewood	\$1,047	\$1,128	\$2,211	\$3,907	\$1,253	\$500	\$51	\$50	\$1,400	\$46,651
South Milwaukee	\$0	\$0	\$0	\$1,624	\$600	\$200	\$49	\$50	\$1,000	\$31,376
Wauwatosa	\$1,047	\$0	\$2,661	\$10,528	\$1,877	\$700	\$70	\$50	\$2,900	\$100,958
West Allis	\$0	\$0	\$0	\$3,376	\$2,204	\$600	\$175	\$50	\$2,200	\$69,522
Whitefish Bay	\$1,047	\$1,499	\$0	\$3,694	\$858	\$600	\$28	\$50	\$1,000	\$39,355
TOTAL	\$10,465	\$4,500	\$20,807	\$85,000	\$47,000	\$6,800	\$1,450	\$750	\$39,000	\$953,881
	est.					est.	est.		est.	est.

## MCFLS System Aid Increases Impact on Contracts

		2021	2022	2023	2024
1 State Aid Amount	\$	2,855,319	\$ 3,301,094	\$ 3,568,561	?
2 Aid Increase Over Previous Year	\$	-	\$ 445,775	\$ 267,467	?
3 RB Contribution Increase		\$ -	\$ (160,479)	\$ (96,288)	
4 Cataloging Contribution Increase		\$ (40,120)	\$ (24,072)		?
5 Resource Library Increase		\$ (27,861)	\$ (16,717)		?
6 Total Obligations		\$ (67,981)	\$ (201,268)	\$ (96,288)	
7					
8 Discretionary Funds		\$ 377,794	\$ 443,994		?
9					
10 * Discretionary Funds including 2024 Obligations		\$ 329,650	\$ 395,850		
11					
12 * Amounts indicate additional funding in comparison to 2021 state aid					



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August 16<sup>th</sup>, 2021

July/August 2021 Director's Report

#### Summary of activities

1. On July 23<sup>rd</sup> I attended the Library Development and Legislation (LD&L) meeting as a representative of the WPLC to advocate for more collaboration with LD&L on additional support for Wisconsin's Digital Library. We plan to meet soon to follow up and determine next steps.
2. Met with Wendi and Judy to discuss the audit results in advance of the presentation to the MCFLS Board.
3. Completed compiling the results of the MCFLS Expenditures survey for review by the LDAC and MCFLS Board in August. Feedback has already been gathered from LDAC (including a need for a further breakdown of the survey results and current staffing levels at systems).
4. On July 27<sup>th</sup> I attended the Glendale Library Review Committee meeting to answer any further questions regarding data I've shared with them. Mayor Bryan Kennedy did appear at the beginning of the meeting to inform the group of the Bayside development proposal which would include a new North Shore Library.
5. On August 4<sup>th</sup> we met for our monthly meeting with workforce development staff in Milwaukee County and continued discussions on how to bring their staff into member libraries. I arranged a meeting to sit down with workforce staff and member libraries on August 12<sup>th</sup> to talk about availability and expectations for this collaboration.
6. Using models developed by SHRM and Winnefox Library System, revised the system policy related to telecommuting.
7. Our new Public Information Coordinator Deb Marett accepted the position in late July and will start Monday, August 30<sup>th</sup>. After a brief orientation, Deb and I will meet with interested directors in September.
8. Met with Judy to discuss and develop the mid-year budget revision.
9. Participated in the WPLC Board meeting on August 9<sup>th</sup>.
10. MCFLS staff met with our INFOPASS group on August 10<sup>th</sup> to consider the WILS proposal for project management. WILS will submit a revised proposal as a result of the meeting and the retooling of INFOPASS will start to take place soon after.
11. Met with other systems and delivery managers to discuss statewide changes to delivery led by DPI.

#### Upcoming Activities

1. Train the MCFLS Public Information Coordinator.
2. Develop 2022 System Budget.
3. Finalize West Milwaukee amendment for expanded access to electronic resources for consideration at the September MCFLS Board meeting.