

DRAFT

**WISCONSIN VALLEY LIBRARY SERVICE
WAUSAU, WISCONSIN**

**FINANCIAL STATEMENTS
December 31, 2016**

WISCONSIN VALLEY LIBRARY SERVICE

TABLE OF CONTENTS

DRAFT

<u>PAGE NUMBER</u>	<u>EXHIBIT</u>	
1 - 3		Independent Auditor's Report
4 - 9		<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>
		<u>BASIC FINANCIAL STATEMENTS</u>
		Government-wide Financial Statements:
10 - 11	A	Statement of Net Position
12	B	Statement of Activities
		Fund Financial Statements:
		Governmental Fund:
13	C	Balance Sheet
14	D	Reconciliation of the Governmental Fund Balance Sheet with the Statement of Net Position
15	E	Statement of Revenues, Expenditures, and Changes in Fund Balances
16	F	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Fund to the Statement of Activities
17 - 31		Notes to Basic Financial Statements
		<u>SCHEDULE</u>
		<u>REQUIRED SUPPLEMENTARY INFORMATION</u>
32	1	Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - (Non-GAAP Budgetary Basis) General Fund
33	2	Schedule of Proportionate Share of the Net Pension Liability (Asset) - Wisconsin Retirement System
34	3	Schedule of Contributions - Wisconsin Retirement System
35	4	Notes to Required Supplementary Information
		<u>SUPPLEMENTAL FINANCIAL INFORMATION</u>
36	5	Revenues Collected from Member Counties
37	6	Operational Expenses Paid

TABLE OF CONTENTS

DRAFT

<u>PAGE NUMBER</u>	<u>SCHEDULE</u>	<u>FEDERAL AND STATE OF WISCONSIN SCHEDULES AND REPORTS</u>
38	7	Schedule of Federal Awards and State Financial Assistance Notes to the Schedules of Federal Awards and State Financial Assistance
39 - 42	8	Summary of Audit Results
43 - 44		Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>
45 - 46		Independent Auditor's Report on Compliance for Each Major State Program and on Internal Control Over Compliance Required by the Wisconsin Department of Public Instruction



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Wisconsin Valley Library Service
Wausau, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund (general fund) of the Wisconsin Valley Library Service, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Wisconsin Valley Library Service'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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 of 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 auditor's 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 relevant to the entity'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 entity'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 opinion.

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 the major fund (general fund) of the Wisconsin Valley Library Service, as of December 31, 2016, 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 management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wisconsin Valley Library Service's financial statements. The supplemental financial information is presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Wisconsin Department of Public Instruction and by Title 2 United States *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The supplemental financial information and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Matters (Cont'd)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2017 on our consideration of the Wisconsin Valley Library Service's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the 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 Wisconsin Valley Library Service's internal control over financial reporting and compliance.

Certified Public Accountants
Wausau, Wisconsin
May 18, 2017

DRAFT

**MANAGEMENT'S DISCUSSION
AND ANALYSIS
(Unaudited)**

DRAFT

The discussion and analysis of the Wisconsin Valley Library Service's financial information provides an overall review of financial activities for the fiscal year. The analysis generally focuses on the Service's financial performance as a whole. It should be read in conjunction with the Independent Auditor's Report at the front of this report and the Service's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Service's basic financial statements. The Service's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are the Statement of Net Position and Statement of Activities shown on pages 10 - 12 of this report and are designed to provide readers with a broad overview of the Service's finances, in a manner similar to private-sector business.

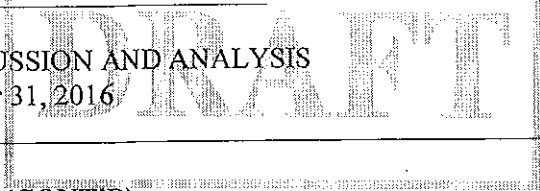
The *Statement of Net Position* on pages 10 - 11 presents information on all of the Service's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Service is improving or deteriorating.

The *Statement of Activities* on page 12 presents information showing how the Service's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Fund Financial Statements

The Service also produces fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Service, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The only fund of the Service is the General Fund, a governmental 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 year. Such information may be useful in evaluating a government's near-term financing requirements.



OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)

Fund Financial Statements (Cont'd)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Service maintains one governmental fund: the General Fund. The statement of the basic governmental fund can be found beginning on page 13 of this report.

Notes to the 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 beginning on page 17 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Service, assets exceeded liabilities by \$1,340,665 at the end of 2016. A portion of the Service's net position (12%) reflects its investment in capital assets (e.g., equipment).

An additional portion of the Service's net position (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,174,705, may be used to meet the Service's ongoing obligations. The Service has maintained positive balances in all three categories of net position for both the current and prior year.

WISCONSIN VALLEY LIBRARY SERVICE

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

DRAFT

Service's Net Position

	<u>2016</u>	<u>2015</u>
Current assets	\$ 1,820,768	\$ 1,695,513
Noncurrent assets	<u>157,824</u>	<u>301,006</u>
Total assets	<u>\$ 1,978,592</u>	<u>\$ 1,996,519</u>
Total deferred outflows of resources	<u>\$ 193,317</u>	<u>\$ 61,465</u>
Current liabilities	<u>\$ 68,040</u>	<u>\$ 41,215</u>
Noncurrent liabilities	<u>\$ 40,021</u>	<u>\$ _____</u>
Total liabilities	<u>\$ 108,061</u>	<u>\$ 41,215</u>
Total deferred inflows of resources	<u>\$ 723,183</u>	<u>\$ 639,180</u>
Net position:		
Investment in capital assets	\$ 157,824	\$ 238,195
Restricted	8,136	7,921
Unrestricted	<u>1,174,705</u>	<u>1,131,473</u>
Total net position	<u>\$ 1,340,665</u>	<u>\$ 1,377,589</u>

Governmental Activities

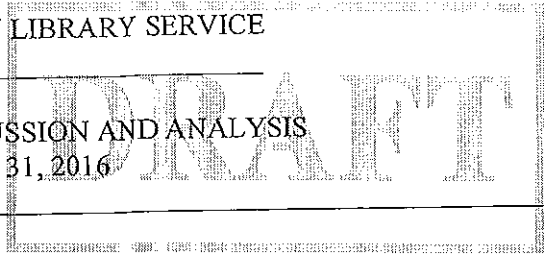
Governmental activities decreased net position by \$36,924 during 2016 and increased net position by \$90,067 for 2015. Expenses as a percentage of total revenues were 103% for 2016 and 92% for 2015.

Revenues decreased due to discontinuance of some services and related charges.

Expenses increased 23% from the prior year, largely due to the adjustment of pension expense from the implementation of GASB #68.

WISCONSIN VALLEY LIBRARY SERVICE

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016



Service's Change in Net Position

	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 332,361	\$ 200,283
Operating grants and contributions	864,994	854,050
Investment earnings	5,210	6,839
County revenues	41,184	41,184
Capital grants and contributions	<u> </u>	<u>27,700</u>
Total revenues	<u>\$ 1,243,749</u>	<u>\$ 1,130,056</u>
Expenses:		
Library Service	<u>\$ 1,280,673</u>	<u>\$ 1,039,989</u>
Increase (Decrease) in net position	\$(36,924)	\$ 90,067
Net position, beginning of year	<u>1,377,589</u>	<u>1,287,522</u>
Net position, end of year	<u>\$ 1,340,665</u>	<u>\$ 1,377,589</u>

Financial Analysis of the Governmental Funds

The focus of the Service's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Service's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the Service's governmental fund reported total ending fund balances of \$1,113,770. About 11% of this total amount constitutes unassigned fund balance, which represents resources available for spending for unspecified purposes. Restricted and assigned fund balances of \$8,136 and \$980,487, respectively, are legally restricted for scholarships and assigned for various future purposes.

The general fund is the chief operating fund of the Service and represents all of the total ending fund balances of \$1,113,770. As a measure of the general fund's liquidity, it may be useful to compare total uncommitted fund balance to total fund expenditures.

The fund balance of the Service's general fund increased by \$98,430 during the current fiscal year. This increase is due to increased miscellaneous revenues.

WISCONSIN VALLEY LIBRARY SERVICE

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

DRAFT

General Fund Budgetary Highlights

During the year there were no budget amendments to the original budget.

Actual expenditures were lower than budget primarily due to unexpended budget amounts in the salaries and benefits and reserve line items.

Capital Assets

The Service's investment in capital assets as of year-end was \$157,824, net of accumulated depreciation. This investment in capital assets represents equipment. See Note 4 for additional information on the change in capital assets during the year.

There was a decrease in the Service's investment in capital assets during the current year of \$80,371. This decrease was due to depreciation exceeding current year capital additions.

Factors Bearing on the Service's Future

- State aid remained flat and at the same percentage in 2016 as it was in 2013 - 2015. The State budget amount for system services in 2017 is the same as it was in previous years. Anticipated flat funding for systems in the next biennium puts continuing financial and operational pressure on the Service.
- No increase was approved for county revenues in 2017.
- In 2017, the Service is partnering with the Indianhead Federated Library System on capital and expertise to further implement a cost-recovery model for IT services to member libraries.
- To protect the viability of the shared automation service (V-Cat), funding for the program is relying more on member library contributions than state aid.
- The State is recommending that all the 16 systems work more collaboratively and cooperatively with neighboring systems to reduce redundancies and increase efficiencies.
- The directive for the State Superintendent to develop new models of service to libraries has potential to significantly impact the Service and its operations in 2018 and beyond.

All of these factors were considered in preparing the Service's budget for 2017. The general fund balance that is unassigned was \$125,147 at December 31, 2016. The available fund balance is sufficient to cover normal operating costs.

WISCONSIN VALLEY LIBRARY SERVICE

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

DRAFT

Requests for Information

This financial report is designed to provide a general overview of the Service's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, Wisconsin Valley Library Service, 300 N. First Street, Wausau, WI 54403.

DRAFT

BASIC FINANCIAL STATEMENTS

WISCONSIN VALLEY LIBRARY SERVICE

STATEMENT OF NET POSITION
December 31, 2016

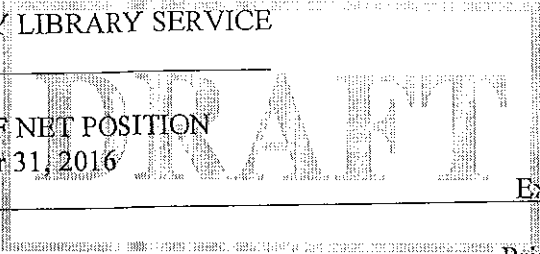


Exhibit A

<u>ASSETS</u>	<u>Primary Government Government Activities</u>
Current:	
Cash and investments	\$ 1,796,236
Accounts receivable	21,243
Grants receivable	<u>3,289</u>
Total current assets	<u>\$ 1,820,768</u>
Noncurrent:	
Capital assets, net of depreciation	<u>\$ 157,824</u>
Total noncurrent assets	<u>\$ 157,824</u>
Total Assets	<u>\$ 1,978,592</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Wisconsin Retirement System:	
Differences between expected and actual experience	\$ 0
Net difference between projected and actual earnings on pension plan investments	141,878
Employer contribution subsequent to the measurement date	21,924
Changes in proportionate and differences between employer contributions and proportionate share of contributions	1,514
Changes in assumptions	<u>28,001</u>
Total Deferred Outflows of Resources	<u>\$ 193,317</u>
<u>LIABILITIES</u>	
Current:	
Accounts payable	\$ 23,200
Accrued payroll	15,991
Accrued vacation	<u>28,849</u>
Total current liabilities	<u>\$ 68,040</u>

The accompanying notes are an integral part of the financial statements

WISCONSIN VALLEY LIBRARY SERVICE

STATEMENT OF NET POSITION
December 31, 2016

Exhibit A (Cont'd)

	<u>Primary Government Government Activities</u>
<u>LIABILITIES (CONT'D)</u>	
Noncurrent:	
Net pension liability	\$ <u>40,021</u>
Total noncurrent liabilities	\$ <u>40,021</u>
Total Liabilities	\$ <u>108,061</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Succeeding year's state aids	\$ 638,958
Wisconsin Retirement System:	
Differences between expected and actual experience	<u>84,225</u>
Total Deferred Inflows of Resources	\$ <u>723,183</u>
<u>NET POSITION</u>	
Invested in capital assets, net of related debt	\$ 157,824
Restricted	8,136
Unrestricted	<u>1,174,705</u>
Total Net Position	<u>\$ 1,340,665</u>

The accompanying notes are an integral part of the financial statements

WISCONSIN VALLEY LIBRARY SERVICE

STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

DRAFT

Exhibit B

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Assets Governmental Activities</u>
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Library Service	\$ 1,280,673	\$ 332,361	\$ 864,994	\$ 0	\$(83,318)
Total governmental activities	\$ 1,280,673	\$ 332,361	\$ 864,994	\$ 0	\$(83,318)
General revenues:					\$ 3,888
Clark County					1,381
Forest County					2,737
Langlade County					4,177
Lincoln County					18,726
Marathon County					7,807
Oneida County					2,468
Taylor County					5,210
Interest and investment earnings					
Total general revenues					\$ 46,394
Change in net position					\$(36,924)
Net position - Beginning of year					1,377,589
Net position - End of year					\$ 1,340,665

The accompanying notes are an integral part of the financial statements

WISCONSIN VALLEY LIBRARY SERVICE

BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2016

DRAFT

Exhibit C

<u>ASSETS</u>	<u>General Fund</u>
Cash and investments	\$ 1,796,236
Accounts receivable	21,243
Grants receivable	<u>3,289</u>
Total Assets	<u>\$ 1,820,768</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>	
Liabilities:	
Accounts payable	\$ 23,200
Accrued payroll	15,991
Accrued vacation	<u>28,849</u>
Total liabilities	<u>\$ 68,040</u>
Deferred inflows of resources:	
Succeeding years state aids	<u>\$ 638,958</u>
Fund balances:	
Restricted for scholarships	\$ 8,136
Assigned for future purchases	150,489
Assigned for V-Cat expenditures	378,744
Assigned for IT expenditures	117,754
Assigned for 2016 budget	333,500
Unassigned	<u>125,147</u>
Total Fund Balances	<u>\$ 1,113,770</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,820,768</u>

The accompanying notes are an integral part of this financial statement

WISCONSIN VALLEY LIBRARY SERVICE

RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET WITH THE STATEMENT OF NET POSITION
December 31, 2016

Exhibit D

Total fund balance - Governmental fund		\$ 1,113,770
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements.		
Capital assets at year end consist of:		
Capital assets	\$ 552,009	
Accumulated depreciation	<u>(394,185)</u>	157,824
Amounts reported in the governmental activities, but not reported in the fund statements related to the implementation of GASB Statement #68, related to the Wisconsin Retirement System:		
Deferred outflow of resources		193,317
Net pension liability		<u>(40,021)</u>
Deferred inflow of resources		<u>(84,225)</u>
Total net position - Governmental activities		<u>\$ 1,340,665</u>

The accompanying notes are an integral part of the financial statements

WISCONSIN VALLEY LIBRARY SERVICE

STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND
 Year Ended December 31, 2016

Exhibit E

Revenues

Intergovernmental revenues:	
County sources	\$ 41,184
State sources	851,944
Federal sources	12,835
Miscellaneous revenues	<u>337,786</u>
 Total revenues	 <u>\$ 1,243,749</u>

Expenditures

Library support:	
Employee benefits - Insurance	\$ 157,519
Federal grant expenditures	12,835
Library materials	8,796
Operational expenses	223,961
Payroll taxes	30,036
Retirement	21,924
Salaries	411,886
IT expenses	<u>278,362</u>
 Total expenditures	 <u>\$ 1,145,319</u>
 Net change in fund balance	 \$ 98,430
Fund balance, January 1	<u>1,015,340</u>
 Fund balance, December 31	 <u>\$ 1,113,770</u>

The accompanying notes are an integral part of this financial statement

WISCONSIN VALLEY LIBRARY SERVICE

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

Exhibit F

Net change in fund balances - Total governmental fund	\$ 98,430
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. The following differ in their presentation in the two statements:	
Capital outlay is capitalized in the government-wide statements	7,355
Depreciation is reported in the government-wide statements	(87,726)
Change in pension expense related to implementation of GASB Statement #68, related to the Wisconsin Retirement System	(54,983)
Change in net assets of governmental activities	<u>\$(36,924)</u>

The accompanying notes are an integral part of the financial statements

WISCONSIN VALLEY LIBRARY SERVICE

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

DRAFT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Wisconsin Valley Library Service (Service) was established in accordance with provisions of Chapter 43, Wisconsin Statutes 1971, and Chapters PI6.06 of the Wisconsin Administrative Code, 1972 and is a federated multi-county library Service. As such, the Service is aligned under the Division of Library Services within the Department of Public Instruction of the State of Wisconsin.

The accompanying financial statements include the activity of only the Service. They do not include the financial activity of any of the member counties or public libraries served by the Service.

The Service's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established by GAAP and used by the Service are discussed below.

A. Reporting Entity

These financial statements present the Service (the primary government). The Service has no component units. As defined by GASB No. 14, component units are legally separate entities that are included in the Service's reporting entity because of the significance of their operating or financial relationships with the Service. The Service consists of just one fund, the General Fund.

B. Basic Financial Statements - Government-Wide Statements

The Service's basic financial statements include both government-wide (reporting the Service as a whole) and fund financial statements (reporting the Service's major fund, the General Fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Service has no business-type activities.

In the government-wide Statement of Net Position, the governmental-type activities column (a) is presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Service's net position is reported in three parts - invested in capital assets, net of related debt; restricted and unrestricted. The Service first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Service's functions and business-type activities (library service). The functions are also supported by general government revenues (certain intergovernmental revenues, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (library service). Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

DRAFT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

B. Basic Financial Statements - Government-Wide Statements (Cont'd)

The net costs (by function) are normally covered by general revenue (intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the Service as an entity and the change in the Service's net position resulting from the current year's activities.

C. Basic Financial Statements - Fund Financial Statements

The financial transactions of the Service are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund is reported by generic classification within the financial statements.

The following fund types are used by the Service:

1. Governmental Fund

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the Service:

- a. General Fund is the general operating fund of the Service. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Major/Non-Major Funds

	<u>Major</u>
Governmental -	General Fund

The Service has no non-major funds.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual

Governmental-type activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

DRAFT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

D. Basis of Accounting (Cont'd)

2. Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Financial Statement Amounts

1. Cash and Cash Equivalents

The Service has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agent, with an initial maturity of three months or less.

2. Investments

Investments are in bank certificates of deposit that are stated at cost, which approximates fair value, (quoted market price or the best available estimate).

3. Accounts Receivable

Accounts receivable are stated at an amount that the Service expects to collect from outstanding balances.

4. Allowance for Uncollectible Accounts

Accounts receivable have been adjusted for all known uncollectible accounts. No allowance is considered necessary at year end and no accounts were written off during the year.

5. Capital Assets

Governmental Activities/Funds - Capital assets purchased or acquired with an original cost of \$300 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Equipment	3 - 7 years
-----------	-------------

DRAFT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

6. Equity Classification

Government-Wide Statements - Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted - Consists of amounts with constraints placed on the 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 - All other amounts that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements - Governmental fund equity is classified as fund balance which is classified as follows:

- a. Restricted fund balances represent those portions of fund equity which have been legally segregated for specific purposes or are not available to be appropriated for expenditures.
- b. Committed fund balance classification reflects specific purposes pursuant to constraints imposed by formal action of the Service Board. Also, such constraints can only be removed or changed by the same form of formal action.
- c. Assigned fund balances represent those portions of fund equity constrained by the Service's Board intent to use them for specific purposes.
- d. Unassigned fund balances represent those portions of fund equity available to finance expenditures other than those tentatively planned by the Service.

7. Revenues

Substantially all governmental fund revenues are accrued. In applying GASB No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

DRAFT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)7. Revenues (Cont'd)

The Service reports deferred inflows of resources on its balance sheet. Deferred inflows of resources arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflows of resources also arise when resources are received before the Service has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Service has a legal claim to the resources, the liability for deferred inflows of resources is removed from the balance sheet and revenue is recognized.

8. Expenditures

Expenditures are recognized when the related fund liability is incurred.

9. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments are recorded in the government-wide statements as liabilities and expenses when the related liabilities are incurred. There were no significant claims or judgments at year end. In the fund financial statements, claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the fund statements. The related expenditure is recognized when the liability is liquidated.

10. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

11. Budgets

Budgetary information is derived from the annual operating budget and is presented, as adopted. A budget was formally adopted for the general fund. Comparisons of budget to actual for the general fund are presented as required supplementary information to the basic financial statements.

The budgeted amounts presented include amendments properly approved by the governing body. During the year, the Executive Committee may authorize transfers of budgeted amounts within departments. Appropriations lapse at year end unless specifically carried over. Federal grant expenditures exceeded the budget by \$12,835, and operational expenses exceeded the budget by \$81,537 during the year ended December 31, 2016.

DRAFT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

12. Compensated Absences

The Service records compensated absences pursuant to the requirements of the Governmental Accounting Standards Board. Compensated absences incurred by the governmental fund types are recorded in the funds if they normally will be liquidated with expendable available financial resources.

The Service has recorded accrued vacation and personal day pay, as of December 31, 2016, as fund liabilities. The liability for the non-vesting right to receive sick pay, if the employee retires with unpaid sick pay, is recorded as a long-term obligation. If an employee terminates prior to retirement, all accumulated sick pay is lost by the employee.

Payments for vacation and sick pay will be made at rates in effect when paid. Accumulated liabilities at December 31, 2016 are determined on the basis of current pay rates.

13. Restricted Resources

The Service applies restricted, committed and assigned resources first when an expense/expenditure is incurred for a purpose for which both restricted and unrestricted amounts/fund balances are available.

14. Date of Management's Review

Subsequent events have been evaluated through May 18, 2017, which is the date the financial statements were available to be issued.

15. Pensions

For purposes of measuring the net pension liability (asset), 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.

16. Deferred Outflows/Inflows of Resources

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

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

WISCONSIN VALLEY LIBRARY SERVICE

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

DRAFT

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

16. Deferred Outflows/Inflows of Resources (Cont'd)

A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

Deferred outflows of resources and deferred inflows of resources related to pensions are required to be recognized by a cost-sharing employer, primarily from the results of proportionate changes in the components of the total pension liability and the pension plan's fiduciary net position.

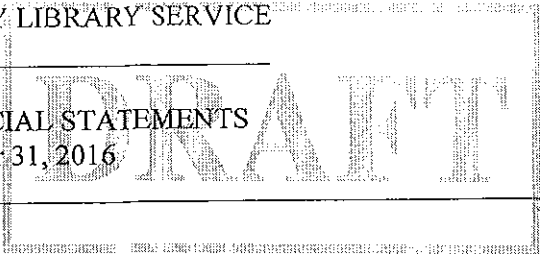
NOTE 2 - BUDGET TO GAAP RECONCILIATION

The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual; General Fund presents a comparison of the adopted budget with actual data on a budgetary basis. The GAAP financial statements do not recognize encumbrances as expenditures whereas, encumbrances are recognized in the above statement to provide a meaningful comparison to the adopted budget. A reconciliation follows:

	<u>General Fund</u>		
	<u>Non-GAAP Basis</u>	<u>Adjustment for Encumbrances</u>	<u>GAAP Basis</u>
		2016	
		\$ 152,529	
		2015	
		<u>128,115</u>	
Excess (Deficiency) of revenues over expenditures	\$ 74,016	\$ 24,414	\$ 98,430
Fund balance - Beginning of year	\$ 887,225	\$ 128,115	\$ 1,015,340
Fund balance - End of year	<u>\$ 961,241</u>	<u>\$ 152,529</u>	<u>\$ 1,113,770</u>

WISCONSIN VALLEY LIBRARY SERVICE

NOTES TO FINANCIAL STATEMENTS
December 31, 2016



NOTE 3 - CASH AND INVESTMENTS

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

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

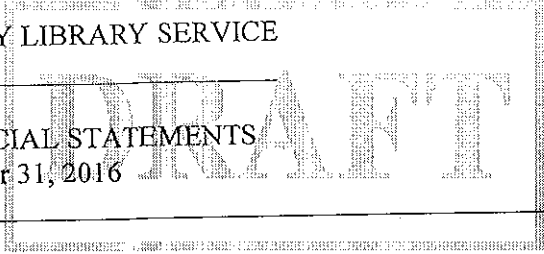
The Service cash and investments at year-end were comprised of the following:

	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Associated Risk</u>
Demand deposits	\$ 1,175,197	\$ 1,182,242	Custodial credit - None
Certificates of deposit	<u>621,039</u>	<u>621,039</u>	Custodial credit - None
Total cash and investments	<u>\$ 1,796,236</u>	<u>\$ 1,803,281</u>	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000.

WISCONSIN VALLEY LIBRARY SERVICE

NOTES TO FINANCIAL STATEMENTS
December 31, 2016



NOTE 3 - CASH AND INVESTMENTS (CONT'D)

Bank accounts are also insured by the State of Wisconsin Deposit Guarantee Fund in the amount of \$400,000. However, although the fund had reserves available at December 31, 2016, the future availability of resources to cover any losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provide that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted, at which time the fund will be abolished. Due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and with other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered for custodial risk determination.

The Service has required one financial institution acting as a depository, to pledge a \$246,941 in securities as collateral to secure the Service's funds over and above amounts guaranteed by the FDIC and State Deposit Guarantee Fund, and another financial institution to pledge \$960,830 in collateral.

Custodial Credit Risk - For deposits, custodial credit risk is the risk that in the event of a financial institution failure, the deposits may not be returned to the Service.

As of December 31, 2016, none of the Service's bank balances of \$1,803,281 were exposed to custodial credit risk.

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

The Service does not have any investments exposed to credit risk.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

The Service does not have any investments exposed to interest rate risk.

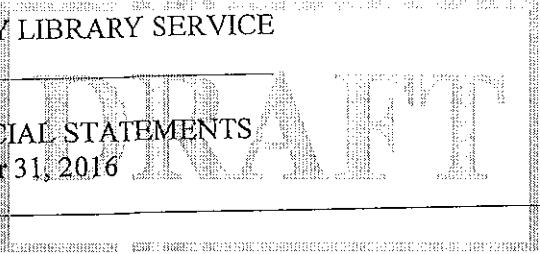
NOTE 4 - CAPITAL ASSETS

Capital activity for the year ended December 31, 2016 was as follows:

	Balance 1/1/16	Additions	Removals	Balance 12/31/16
Equipment	\$ 556,531	\$ 7,355	\$ 11,877	\$ 552,009
Totals at historical cost	\$ 556,531	\$ 7,355	\$ 11,877	\$ 552,009

WISCONSIN VALLEY LIBRARY SERVICE

NOTES TO FINANCIAL STATEMENTS
December 31, 2016



NOTE 4 - CAPITAL ASSETS (CONTD)

	Balance <u>1/1/16</u>	<u>Additions</u>	<u>Removals</u>	Balance <u>12/31/16</u>
Equipment	\$ 318,336	\$ 87,726	\$ 11,877	\$ 394,185
Total accumulated depreciation	\$ 318,336	\$ 87,726	\$ 11,877	\$ 394,185
Net capital assets	\$ 238,195	\$(80,371)	\$ 0	\$ 157,824

NOTE 5 - 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. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school Service educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

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

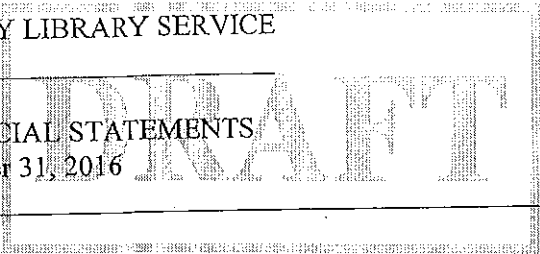
Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula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

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

The WRS also provides death and disability benefits for employees.

WISCONSIN VALLEY LIBRARY SERVICE

NOTES TO FINANCIAL STATEMENTS
December 31, 2016



NOTE 5 - GENERAL INFORMATION ABOUT THE PENSION PLAN (CONT'D)

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

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, including teachers, and Executives and Elected Officials. 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.

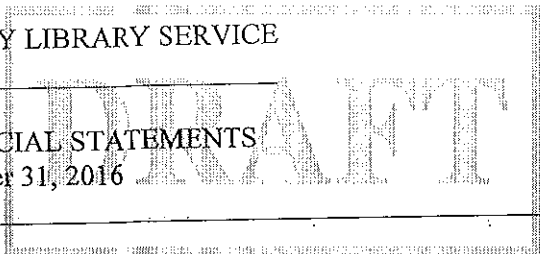
During the reporting period, the WRS recognized \$21,943 in contributions from the employer.

Contribution rates as of December 31, 2016 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.8%	6.8%
Executives and elected officials	7.7	7.7
Protective with Social Security	6.8	9.5
Protective without Social Security	6.8	13.1

WISCONSIN VALLEY LIBRARY SERVICE

NOTES TO FINANCIAL STATEMENTS
December 31, 2016



NOTE 6 - PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At December 31, 2016, the Wisconsin Valley Library Service reported a liability (asset) of \$40,021.48 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Wisconsin Valley Library Service's proportion of the net pension liability (asset) was based on the Wisconsin Valley Library Service's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the Wisconsin Valley Library Service's proportion was .00246289%, which was a decrease of .00009426% from its proportion measured as of December 31, 2014.

For the year ended December 31, 2016, the Wisconsin Valley Library Service recognized pension expense of \$48,567.

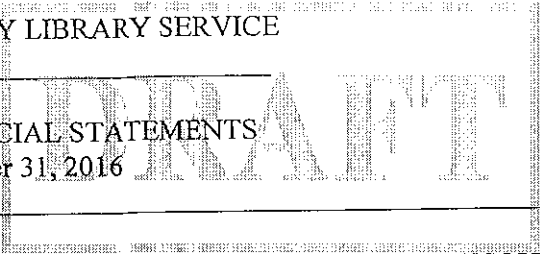
At December 31, 2016, the Wisconsin Valley Library Service reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$(84,225)
Changes in assumptions	28,001	0
Net differences between projected and actual earnings on pension plan investments	141,878	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,514	0
Employer contributions subsequent to the measurement date	<u>21,924</u>	<u>0</u>
Total	<u>\$ 193,317</u>	<u>\$(84,225)</u>

The Service reported \$193,317 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 (asset) in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

WISCONSIN VALLEY LIBRARY SERVICE

NOTES TO FINANCIAL STATEMENTS
December 31, 2016



NOTE 6 - PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONT'D)

Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 51,939	\$(20,433)
2017	51,939	(20,433)
2018	51,939	(20,433)
2019	43,384	(20,402)
Thereafter	944	(2,695)

Actuarial assumptions. The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	December 31, 2014
Measurement date of net pension liability (asset)	December 31, 2015
Actuarial cost method	Entry age
Asset valuation method	Fair market value
Long-term expected rate of return	7.2%
Discount rate	7.2%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 - 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

DRAFT

NOTE 6 - PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONT'D)

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

Retirement Funds
Asset Allocation Targets and Expected Returns
As of December 31, 2015

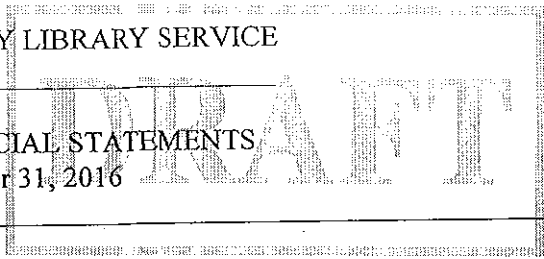
<u>Core Fund Asset Class</u>	<u>Current Asset Allocation %</u>	<u>Destination Target Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
U.S. Equities	27%	23%	7.6%	4.7%
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	<u>107%</u>	<u>120%</u>	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
U.S. Equities	70%	70%	7.6%	4.7%
International Equities	<u>30</u>	<u>30</u>	8.5	5.6
Total Variable Fund	<u>100%</u>	<u>100%</u>	7.9%	5.0%

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

WISCONSIN VALLEY LIBRARY SERVICE

NOTES TO FINANCIAL STATEMENTS

December 31, 2016



NOTE 6 - PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (CONT'D)

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Wisconsin Valley Library Service's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the Wisconsin Valley Library Service's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the Wisconsin Valley Library Service'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 (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate.

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
Wisconsin Valley Library Service's proportionate share of the net pension liability (asset)	\$ <u>280,711</u>	\$ <u>40,021</u>	\$(<u>147,962</u>)

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

NOTE 7 - RISK MANAGEMENT

The Service is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Service maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Service. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 8 - BUILDING RENT

The Service pays rent to Marathon County Public Library on a year to year basis. Rent paid in 2016 was \$42,153.

DRAFT

**REQUIRED SUPPLEMENTARY
INFORMATION**

WISCONSIN VALLEY LIBRARY SERVICE

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL - (NON-GAAP BUDGETARY BASIS)
GENERAL FUND

Year Ended December 31, 2016

Schedule 1

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Intergovernmental revenues:				
County sources	\$ 41,184	\$ 41,184	\$ 41,184	\$
State sources	851,944	851,944	851,944	
Federal sources			12,835	12,835
Interest	5,000	5,000	5,210	210
Miscellaneous revenues	<u>917,950</u>	<u>917,950</u>	<u>332,576</u>	<u>(585,374)</u>
Total revenues	<u>\$ 1,816,078</u>	<u>\$ 1,816,078</u>	<u>\$ 1,243,749</u>	<u>\$ (572,329)</u>
<u>Expenditures</u>				
Current:				
Library support:				
Federal grant expenditures	\$	\$	\$ 12,835	\$ (12,835)
Operational expenses	458,569	458,569	540,106	(81,537)
Salaries/benefits	746,545	746,545	616,792	129,753
Reserve funds	<u>610,964</u>	<u>610,964</u>		<u>610,964</u>
Total expenditures	<u>\$ 1,816,078</u>	<u>\$ 1,816,078</u>	<u>\$ 1,169,733</u>	<u>\$ 646,345</u>
Net changes in fund balance	\$	\$	\$ 74,016	\$ 74,016
Fund balance, January 1	<u>887,225</u>	<u>887,225</u>	<u>887,225</u>	
Fund balance, December 31	<u>\$ 887,225</u>	<u>\$ 887,225</u>	<u>\$ 961,241</u>	<u>\$ 74,016</u>

The accompanying notes are an integral part of the required supplementary information of this financial statement.

WISCONSIN VALLEY LIBRARY SERVICE

SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
Year ended December 31, 2016

Schedule 2

	<u>12/31/16</u>	<u>12/31/15</u>
Wisconsin Valley Library Service's proportion of the net pension liability (asset)	.00246289%	.00255715%
Wisconsin Valley Library Service's proportionate share of the net pension liability (asset)	\$ 40,021	\$(62,811)
Wisconsin Valley Library Service's covered-employee payroll	\$ 322,682	\$ 343,210
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.2%	102.74%

The amounts presented were determined as of the calendar year-end December 31, 2015.

The accompanying notes are an integral part of the required supplementary information of this financial statement.

WISCONSIN VALLEY LIBRARY SERVICE

SCHEDULE OF CONTRIBUTIONS
 WISCONSIN RETIREMENT SYSTEM
 Year Ended December 31, 2016

Schedule 3

	<u>12/31/16</u>	<u>12/31/15</u>
Contractually required contributions	\$ 21,943	\$ 24,025
Contributions in relation to the contractually required contributions	\$ 21,943	\$ 24,025
Contribution deficiency (excess)	\$ 0	\$ 0
Wisconsin Valley Library Service's covered-employee payroll	\$ 322,682	\$ 343,210
Contributions as a percentage of covered-employee payroll	6.8%	7%

The amounts presented were determined as of the calendar year-end December 31, 2015.

The accompanying notes are an integral part of the required supplementary information of this financial statement.

WISCONSIN VALLEY LIBRARY SERVICE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended December 31, 2016

Schedule 4

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions. There were no changes in the assumptions.

The accompanying notes are an integral part of the required supplementary information of this financial statement.

DRAFT

**SUPPLEMENTAL
FINANCIAL INFORMATION**

WISCONSIN VALLEY LIBRARY SERVICE

REVENUES COLLECTED FROM MEMBER COUNTIES
 Year Ended December 31, 2016
 (With Comparative Totals for Year Ended December 31, 2015)

Schedule 5

	Totals	
	<u>2016</u>	<u>2015</u>
Clark County	\$ 3,888	\$ 3,888
Forest County	1,381	1,381
Langlade County	2,737	2,737
Lincoln County	4,177	4,177
Marathon County	18,726	18,726
Oneida County	7,807	7,807
Taylor County	<u>2,468</u>	<u>2,468</u>
Totals	<u>\$ 41,184</u>	<u>\$ 41,184</u>

WISCONSIN VALLEY LIBRARY SERVICE

OPERATIONAL EXPENSES PAID
 Year Ended December 31, 2016
 (With Comparative Totals for Year Ended December 31, 2015)

Schedule 6

	Totals	
	2016	2015
Communications	\$ 5,895	\$ 7,342
Office supplies	2,949	2,274
Postage and courier services	110,352	111,091
Staff travel	16,726	14,230
Board travel	7,650	9,835
Copying supplies		1,052
Building rent	42,153	42,153
Dues, insurance and audit	17,675	12,803
Equipment rental and maintenance	2,481	2,973
Workshops	14,635	11,535
Resource development		100
Service contracts	1,398	469
Equipment	1,940	3,563
Miscellaneous	107	753
Totals	<u>\$ 223,961</u>	<u>\$ 220,173</u>

DRAFT

**FEDERAL AND STATE OF WISCONSIN
SCHEDULES AND REPORTS**

WISCONSIN VALLEY LIBRARY SERVICE

SCHEDULE OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
Year Ended December 31, 2016

Schedule 7

Federal Awards	State or Federal Catalog Number	Receivable (Deferred Outflows) 1/1/16	Expenditures	Revenues - Grantor Reimbursement	Receivable (Deferred Outflows) 12/31/16
Institute of Museum and Library Services: Wisconsin Department of Public Instruction: Library Services and Technology Project 15-202 LSTA Project 16-165 LSTA Laura Bush 21 st Century Librarian	45.310 45.313	\$ 17,995 1,987	\$ 12,835	\$ 17,995 9,546 1,987	\$ 3,289
Total federal awards		\$ 19,982	\$ 12,835	\$ 29,528	\$ 3,289
State Financial Assistance	255.002	\$(638,958)	\$ 851,944	\$ 212,986 638,958	\$(638,958)
Wisconsin Department of Public Instruction: Public Library Systems Aid 2016 Systems aid 2017 Systems aid			\$ 851,944	\$ 851,944	\$(638,958)
Total state financial assistance			\$ 851,944	\$ 851,944	\$(638,958)

Notes to the Schedules of Federal Awards and State Financial Assistance
Year Ended December 31, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance include the federal and state grant activity of the Wisconsin Valley Library Service and are presented on the modified accrual basis of accounting. See footnote 1 of the financial statements for additional information. The information in these schedules is presented in accordance with the requirements of Wisconsin Department of Public Instruction. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of the financial statements.

Note 2 - Subrecipients

Of the federal and state expenditures presented in the schedule, the Wisconsin Valley Library Service provided no federal and state awards to subrecipients.

Note 3 - Non-Cash Federal Assistance

The Wisconsin Valley Library Service received no non-cash assistance.

Note 4 - Oversight Agencies

The Service's federal oversight agency is the Institute of Museum and Library Services. The Service's state cognizant agency is the Wisconsin Department of Public Instruction.



WISCONSIN VALLEY LIBRARY SERVICE

SUMMARY OF AUDIT RESULTS
Year Ended December 31, 2016

Schedule 8

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiencies identified?

Yes

Noncompliance material to financial statements noted?

Yes No

State Financial Assistance

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiencies identified?

Yes None Reported

Type of auditor's report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required in accordance with Wisconsin Public School Service Audit Manual

Yes No

Identification of state programs:

State ID Number

Name of Major State Program

255.002

Public Library System Aid

WISCONSIN VALLEY LIBRARY SERVICE

SUMMARY OF AUDIT RESULTS
Year Ended December 31, 2016

Schedule 8 (Cont'd)

Item
Number

Section II - Financial Statement Findings

2016-001

Segregation of Duties

Condition and Criteria - The size of the office staff precludes a proper segregation of functions to assure adequate internal control. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Effect - As a result of not having a sufficient number of individuals in the accounting department to segregate duties, the Service could have undetected errors or irregularities.

Cause - Limitations in staff size.

Recommendation - It is important for management to be aware of this condition and to realize that the concentration of duties and responsibilities in one or two individuals is not desirable from a control standpoint. Under these conditions, the most effective controls rest in management's knowledge and monitoring of matters relating to the Service's financial affairs.

Service's Response - The Service will continue to use other controls, where practical to compensate for this limitation.

2016-002

Financial Statement Preparation

Condition and Criteria - We were requested to prepare the financial statements and footnote disclosures for the Service, because the Service currently does not internally possess the expertise to prepare these statements and footnote disclosures in accordance with accounting principles generally accepted in the United States of America.

Effect - Condition could result in the possibility of undetected errors and irregularities.

Cause - Management and the accounting staff of the Service have adequate knowledge and experience in governmental accounting and interim reporting requirements; however, their limited knowledge and training limits their ability to prepare GAAP basis financial statements.

Recommendation - We recommend management continue using external sources to prepare the financial statements if cost of training is not feasible to the Service.

Service Response - The Service will continue to rely on the expertise of an accounting firm to prepare the financial statements.

WISCONSIN VALLEY LIBRARY SERVICE

SUMMARY OF AUDIT RESULTS
Year Ended December 31, 2016

Schedule 8 (Cont'd)

Item
Number

Section III - State Financial Assistance Findings and Questioned Costs

2016-003

Financial Reporting for Federal Awards and State Financial Assistance

Condition - The Service is required to prepare appropriate financial statements, including the schedules of expenditures of federal awards and state financial assistance. The Service did not prepare the schedules of expenditures of federal awards and state financial assistance. The schedules were prepared by Krause, Howard & Company, S.C.

Criteria - Having staff prepare the Service's schedules of expenditures of federal awards and state financial assistance is an internal control intended to prevent, or detect and correct, a potential misstatement in the schedules or accompanying notes to the schedules.

Cause - The staff of the Service did not prepare these schedules, so they were prepared by Krause, Howard & Company, S.C.

Recommendation - We recommend management continue using external sources to prepare the financial statements if cost of training is not feasible to the Service.

Service Response - The Service will continue to rely on the expertise of an accounting firm to prepare the financial statements.

Questioned Costs - None.

Section IV - Status of Prior Year Findings and Questioned Costs

Same as above - #2016-001, 2016-002, and 2016-003.

WISCONSIN VALLEY LIBRARY SERVICE

SUMMARY OF AUDIT RESULTS
Year Ended December 31, 2016

Schedule 8 (Cont'd)

Section V - Other Issues

Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? No

Does the audit report show audit issues (i.e. material noncompliance, nonmaterial noncompliance, questioned costs, material weaknesses, significant deficiencies, management letter comment) related to grants/contracts with funding agencies that require audits to be in accordance with the Wisconsin Department of Public Instruction:

Wisconsin Department of Public Instruction Yes

Was a management letter or other document conveying audit comments issued as a result of this audit? Yes

Name and signature of partner

Richard W. Yaeger

Date of Report

May 18, 2017

DRAFT

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

Board of Trustees
Wisconsin Valley Library Service
Wausau, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, and the major fund of the Wisconsin Valley Library Service, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Wisconsin Valley Library Service's basic financial statements and have issued our report thereon dated May 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wisconsin Valley Library Service's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing opinions on the effectiveness of Wisconsin Valley Library Service's internal control. Accordingly, we do not express an opinion on the effectiveness of the Wisconsin Valley Library Service's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies (findings 2016-001 and 2016-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wisconsin Valley Library Service'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2016-003.

Service's Response to Findings

The Service's responses to the findings identified in our audit are described in the accompanying Summary of Audit Results. The Service's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Service'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 Service's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Certified Public Accountants
Wausau, Wisconsin
May 18, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR STATE PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION**

Board of Trustees
Wisconsin Valley Library Service
Wausau, Wisconsin

Report on Compliance for Each Major State Program

We have audited the Wisconsin Valley Library Service (Service)'s compliance with the types of compliance requirements described in the *Wisconsin Public School Service Audit Manual*, issued by the Wisconsin Department of Public Instruction, that could have a direct and material effect on each of the Service's state major aid programs for the year ended December 31, 2016. The Service's state major aid programs are identified in the accompanying summary of auditor's results.

Management's Responsibility

Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major state aid programs is the responsibility of the Service's management.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Service's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the compliance requirements of the Wisconsin Department of Public Instruction in the *Wisconsin Public School Service Audit Manual*. Those standards and compliance requirements require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the state major aid programs occurred. An audit includes examining, on a test basis, evidence about the Service's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination on the Service's compliance.

Opinion on Each Major State Program

In our opinion, the Service complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its state major aid programs for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Wisconsin Department of Public Instruction and which are described in the accompanying Summary of Audit Results as item #2016-003. Our opinion on each major state program is not modified with respect to these matters.

The Service's response to the noncompliance findings identified in our audit is described in the accompanying Summary of Audit Results. The Service's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Service is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to the designated state major aid programs. In planning and performing our audit, we considered the Service's internal control over compliance with requirements that could have a direct and material effect on the state major aid programs to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the *Wisconsin Public School Service Audit Manual*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Service's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies described in the Summary of Audit Results, as items #2016-001 and #2016-002 to be significant deficiencies.

The response to the internal control over compliance findings identified in our audit is described in the accompanying Summary of Audit Results. The Service's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report is intended solely to describe the scope of our testing of internal control over compliance and the results of testing based on requirements of the Wisconsin Department of Public Instruction. Accordingly, this report is not suitable for any other purpose.

Certified Public Accountants
Wausau, Wisconsin
May 18, 2017