



# VirchowKrause (a company)

**Board of Trustees**  
Winnefox Library **System**  
Oshkosh, Wisconsin

We are presenting for your consideration our comments and recommendations on **matters that** came to our attention during the course of our audit of the general purpose financial statements of Winnefox Library System (the System) for the year ended December 31, 2002. This letter, by its nature, **focuses on** improvements and does **not comment on** all of the System's policies and procedures. The comments and suggestions in **this letter are not intended to** reflect in any way on the integrity or ability of **the personnel of the** System. **They** are made **solely** in the interest of improving **the System's** operations.

## COMMENTS AND RECOMMENDATIONS

### **BANK STATEMENTS**

Currently, monthly bank statements are received, reconciled and maintained by the business manager. **In order** to improve controls **over** cash we recommend that the executive director initially receive the **bank** statements. **This** would allow him to periodically review the statements and investigate any unusual activity **prior** to giving **it to** the business manager to be reconciled **each** month.

### **MAJOR CHANGES - FINANCIAL REPORTING**

**As we have reported to you in** past letters, **GASB 34** has been **adopted** which will **affect how** you prepare your annual audited financial statements for your year ended December 31, 2004. Please see our letter from last year if you wish **to read** more detailed information about the **changes**.

Briefly, the major impacts on your **annual** statements are as follows:

- 1) **Governments** will **be** required, **for the first time, to prepare a statement of net assets and a** statement of activities (two new statements) which cover **all funds of** your organization.
- 2) Financial statements must now include capital assets, as well **as** depreciation on all **capital assets**.
- 3) **You** must now provide a narrative, called management discussion and analysis, which introduces the financial **statements** and provides financial highlights **of the** previous year.

One **of** the biggest challenges may **be** accumulating information on the age and cost of your fixed assets. **This** information will **be** required to be reported, **as** well as the depreciation of those assets over **their** estimated useful lives.

**The** System should begin **to** determine how it will implement the new accounting **standard**.

Board of Trustees  
Winnefox Library System

Page 2

#### REQUIRED COMMUNICATIONS TO THE TRUSTEES

**Professional** standards require **that** we provide you with the following information **related to** our audit.

#### *OUR RESPONSIBILITY UNDER GENERALLY ACCEPTED AUDITING STANDARDS*

Our audit was conducted **in** accordance with auditing standards generally accepted in the United **States of America**- **Those** standards require that we plan and perform the audit to obtain reasonable, but not absolute, **assurance** that the financial **statements** are free of material misstatement and are fairly presented in **accordance with accounting** principles generally accepted in the **United States of America**. **Because** an audit **is** designed **to** provide **reasonable**, but **not** absolute assurance and because we **did** not perform a detailed examination of all transactions, there **is a risk** that **material** errors, fraud, or other illegal **acts** may **exist** and **not be detected by us**.

#### *SIGNIFICANT ACCOUNTING POLICIES*

Management has **the** responsibility **for** selection **and** use **of** appropriate **accounting** policies. The significant accounting policies **used in** the **preparation** of the System's financial **statements** are discussed in Note **1** to the financial statements. No new accounting policies were adopted and the application **of** existing policies was **not** changed during **2002**. **We** noted no transactions entered into by **the** System during the year that were both significant and unusual, or transactions for which **there** is a lack **of** authoritative guidance **or** consensus.

#### *ACCOUNTING ESTIMATES*

**Accounting estimates** are an integral part **of** the **financial** statements **prepared** by management **and** are **based on** management's knowledge **and** experience about past and current events **and** assumptions about future events. We are **not** aware **of** any particularly sensitive accounting estimates used by management in its financial statement **process**.

#### *SIGNIFICANT AUDIT ADJUSTMENTS*

**For** purposes of this letter, professional standards **define** a significant audit adjustment as a proposed correction **of** the financial statements **that**, in our judgment, may **not** have been detected except through our auditing procedures. **These** adjustments may include those proposed by us but not recorded by the System that could potentially cause future financial statements **to** be materially misstated, even though we have concluded that such adjustments are not material **to** the current financial statements. In 1998, the System began classifying unexpended member libraries' amounts as accounts payable and recording the related expenditure to better match the budgeted amounts. This is a good budgeting **tool**, but for financial **statements** prepared under accounting principles generally accepted in the United States of America these are not expenditures, but rather reserves of fund **balance**. We reclassified such amounts in the preparation of the 2002 **financial** statements. **The** cumulative effect **in** the general fund was to reduce liabilities **and** increase fund balance by approximately \$245,000 at December 31, **2002**, and to increase expenditures by approximately \$14,000 from amounts reported **on** the System's **internal** financial statements.

The System had recorded the **special revenue** funds' payroll expense of approximately \$303,000 as **an** expenditure in the general fund along **with** related revenue for the reimbursement from the special revenue funds. Under generally accepted accounting principles such interfund activity is not revenue and expenditures, but should be presented at the net amount. Consequently, we reduced revenue and expenditures in the general **fund by** approximately **\$303,000 from amounts reported in the System's** internal financial statements.

**Board of Trustees**  
Winnefox Library System

**Page 3**

A portion of accrued payroll is not recorded **and** prepaid rent of **\$30,000 is** being amortized over a period of time longer than the life **of the** applicable lease. These **audit adjustments** were not entered on the **System's** books. Management believes the effects of **the** uncorrected financial statement misstatements are immaterial, both individually **and** in the aggregate, to the general purpose financial statements as a whole.

***DISAGREEMENTS WITH MANAGEMENT***

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

***CONSULTATIONS WITH OTHER ACCOUNTANTS***

**In some** cases, management **may** decide **to** consult with other accountants about **auditing and accounting** matters, similar **to** obtaining a "second opinion" **on** certain situations. **If** a consultation involves application **of** **an** accounting principle to **the** System's financial statements or a determination **of the** type of auditors' opinion **that may be expressed** on those statements, **the** consulting accountant **is** required by **professional** standards to check with us to determine **that the consultant has** all the relevant **facts**. **To** our knowledge, there were no such consultations with other accountants during the **past year**.

***ISSUES DISCUSSED PRIOR TO THIS YEAR'S AUDIT***

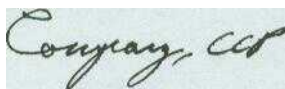
We generally discuss a variety of **matters**, including the application **of** accounting principles and auditing **standards**, with management each year prior **to** performing **the** audit. **These** discussions occurred in the normal course **of** our professional **relationship and** our responses were not **a condition to** the **services** performed **as** your **auditor**.

***DIFFICULTIES ENCOUNTERED IN PERFORMING me A UDIT***

We encountered no difficulties in dealing with management in performing our audit.

This report **is** intended solely for the information and **use of** the management and **Board of** Winnefox Library System and **is not** intended to be, and should not be, used by anyone other than **the** specified parties. **If you** should have any questions concerning our comments, please feel free **to** contact us. We would like to **take** this opportunity to extend our thanks **and** appreciation for the courtesies and assistance offered by all the staff of the Winnefox Library System during the audit.

///t^U^v^- /Ct^au^ . ^



Appleton, Wisconsin  
April 16, 2003

\*\*\* This Page is Left Blank Intentionally \*\*\*

**WINNEFOX LIBRARY SYSTEM**  
Oshkosh, Wisconsin

**FINANCIAL STATEMENTS**

With Independent Auditors' Report

December 31, 2002

**\*\*\* This Page is Left Blank Intentionally \*\*\***

## WINNEFOX LIBRARY SYSTEM

### TABLE OF CONTENTS

#### **Independent Auditors' Report**

#### **General Purpose Financial Statements**

Combined Balance Sheet - All Fund Types and Account Group

Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Fund Types

Combined Statement of Revenues and Expenditures -  
Budget and **Actual - Governmental** Fund Types

Notes to General Purpose Financial Statements

#### **Supplemental Information**

Combining Balance Sheet - Special Revenue Funds

Combining Statement of Revenues, Expenditures and  
Changes in Fund Balances - Special Revenue Funds



**VirchowKrause**  
company

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Winnefox Library System  
Oshkosh, Wisconsin

We have audited the accompanying general purpose financial **statements** of Winnefox Library System (the "System") **as of and for the year ended December 31, 2002**, as identified in the accompanying table of contents. These general purpose financial statements are the responsibility of the System's Board of Trustees and management. Our responsibility is **to express an opinion on these general purpose** financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the System's Board of Trustees and management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed assets account group, which should be included in order for the financial statements to conform with accounting principles generally accepted in the United States of America. **The amounts that should be recorded in the general fixed assets account group are not known.**

**In our opinion**, except for the **effects** on the financial statements of the omission described in **the** preceding paragraph, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Winnefox Library System as of December 31, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America,

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Winnefox Library System. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

VirchowKrause Company, CPAs

Appleton, Wisconsin  
April 16, 2003

**WINNEFOX LIBRARY SYSTEM****COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP**

December 31, 2002

**(With Comparative Totals for December 31, 2001)**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>ASSETS AND OTHER DEBIT</b>		
<b>Cash</b> and investments	\$ 1,094,351	938,023
Accounts receivable	14,889	<b>28,548</b>
Due from other funds	<b>67,739</b>	<b>146</b>
Prepaid expenditures	<b>30,000</b>	
Other debit:		
Amount to be provided for retirement of long-term obligations		
<b>TOTAL ASSETS AND OTHER DEBIT</b>	<u>\$ 1,206,979</u>	<u>\$ 966,717</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	<b>82,675</b>	<b>35,814</b>
Due to other funds	<b>146</b>	<b>67,739</b>
Compensated absences		
Deferred revenue	<b>628,283</b>	<b>11,800</b>
Pension related debt - Wisconsin <b>Retirement System</b>		
Total Liabilities	711,104	115,353
<b>FUND BALANCES</b>		
Reserved	377,823	851,364
Unreserved:		
Undesignated	118,052	
Total Fund Balances	495,875	851,364
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,206,979</u>	<u>\$ 966,717</u>

<u>Account Group</u>	Totals	
General	(Memorandum Only),	
Long-Term	2002	2001
<u>Obligations</u>		
	\$ 2,032,374	1,941,138
	<b>43,437</b>	39,853
	<b>67,885</b>	13,017
	<b>30,000</b>	32,780
<b>101,125</b>	<u>101.125</u>	<u>103.235</u>
<b>S 101.125</b>	<b>\$ 2.274.821</b>	<b>S 2.130.023</b>

\$	\$ 118,489	\$ 101,962
	67,885	13,017
46.325	46,325	47,835
	640,083	652,761
54.800	54.800	55,400
<u>101,125</u>	<u>927,582</u>	<u>870,975</u>

	1,229,187	1,130,484
	<u>118.052</u>	<u>128.564</u>
	<u>1.347,239</u>	<u>1.259.048</u>
<u>^ 101.125</u>	<u>S 2.274.821</u>	<u>I 2 130.023</u>

**WINNEFOX LIBRARY SYSTEM****COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUND TYPES**

Year Ended December 31, 2002

(With Comparative Totals for the Year Ended December 31, 2001)

	General	Special Revenue	Totals (Memorandum Only)	
			2002	2001
<b>REVENUES</b>				
State aids	\$ 870,348	\$	\$ 870,348	\$ 870,348
Intergovernmental, primarily counties	2,970,041	172,825	3,142,866	2,990,923
Grants	36,209	69,917	106,126	45,279
Services to member libraries	-	538,404	538,404	515,949
Sales to libraries	3,589	144,084	147,673	145,131
Interest	22,492	22,940	45,432	109,692
Other	41,396	26,209	67,605	86,355
Total Revenues	3,944,075	974,379	4,918,454	4,763,677
<b>EXPENDITURES</b>				
Payments to member libraries	2,871,990		2,871,990	2,726,779
Salaries and related fringe benefits	675,655	302,763	978,418	853,164
Supplies and postage	61,680	28,351	90,031	122,189
Telephone and communication	1,396	41,663	43,059	56,519
Travel, training and conferences	25,240	12,938	38,178	65,160
Insurance	5,236	559	5,795	4,089
Equipment maintenance	31,600	53,874	85,474	67,401
Contractual services	105,531	65,100	170,631	186,781
System and library materials	77,725	147,904	225,629	216,270
Capital expenditures	23,134	82,114	105,248	301,133
Minor equipment	-	18,115	18,115	24,817
Member libraries	60,470	-	60,470	56,979
Operations support	-	136,508	136,508	126,325
Other	-	717	717	21,161
Total Expenditures	3,939,657	890,606	4,830,263	4,828,767
Excess Revenues (Expenditures)	4,418	83,773	88,191	(65,090)
<b>OTHER FINANCING SOURCES (USE)</b>				
Operating transfers In	3,000	58,776	61,776	33,252
Operating transfers out	(45,824)	(15,952)	(61,776)	(33,252)
Total Other Financing Sources (Use)	(42,824)	42,624	-	-
<b>EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER USE)</b>				
	(38,406)	126,597	88,191	(65,090)
FUND BALANCES - Beginning of Year	534,281	724,767	1,259,048	1,324,138
FUND BALANCES - END OF YEAR	\$ 495,875	\$ 851,364	\$ 1,347,239	£ 1,259,048

## WINNEFOX LIBRARY SYSTEM

COMBINED **STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL - GOVERNMENTAL FUND TYPES**  
**Year Ended December 31, 2002**

	General Fund		Variance - Favorable (Unfavorable)
	Budget	Actual	
<b>REVENUES</b>			
State aids	\$ 870,348	\$ 870,348	\$
Intergovernmental, primarily counties	3,033,790	2,970,041	(63,749)
Grants	33,300	36,209	2,909
Services to member libraries	-	-	-
Sales to libraries	2,000	3,589	1,589
Interest	50,000	22,492	(27,508)
Other	44,000	41,396	(2,604)
Total Revenues	4,033,438	3,944,075	(89,363)
<b>EXPENDITURES</b>			
Payments to member libraries	2,916,674	2,871,990	44,684
Salaries and related fringe benefits	694,949	675,655	19,294
Supplies and postage	81,700	61,680	20,020
Telephone and communication	3,800	1,396	2,404
Travel, training and conferences	25,000	25,240	(240)
Insurance	4,359	5,236	(877)
Equipment maintenance	18,225	31,600	(13,375)
Contractual services	86,175	105,531	(19,356)
System and library materials	84,027	77,725	6,302
Capital expenditures	32,900	23,134	9,766
Minor equipment	-	-	-
Member libraries	59,496	60,470	(974)
Operations support	-	-	-
Other	-	-	-
Total Expenditures	4,007,305	3,939,657	67,648
Excess Revenues (Expenditures)	26,133	4,418	(21,715)
<b>OTHER FINANCING SOURCES (USE)</b>			
Operating transfers in	-	3,000	3,000
Operating transfers out	(25,824)	(45,824)	(20,000)
Total Other Financing Sources (Use)	(25,824)	(42,824)	(17,000)
<b>EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES AND OTHER USE)</b>			
	3L	-SOS	\$ f38.4Q61 3i f38.715l

Special Revenue Funds

Budget	Actual	Variance - Favorable (Unfavorable)
\$ -	\$ -	\$
<b>172,825</b>	<b>172,825</b>	
69,917	69,917	
600,618	538,404	(62,214)
134,500	144,084	9,584
48,000	22,940	(25,060)
<b>21,913</b>	26,209	4,296
<u>1,047,773</u>	<u>974,379</u>	<u>(73,394)</u>
<b>319,952</b>	<b>302,763</b>	<b>17,189</b>
<b>38,525</b>	28,351	10,174
<b>61,650</b>	41,663	19,987
15,063	12,938	<b>2,125</b>
600	559	<b>41</b>
63,294	53,874	<b>9,420</b>
62,260	65,100	(2,840)
149,100	147,904	1,196
166,217	82,114	84,103
<b>13,025</b>	18,115	<b>(5,090)</b>
<b>134,370</b>	136,508	<b>(2,138)</b>
900	<u>717</u>	183
<u>1,024,956</u>	<u>890,606</u>	<u><b>134,350</b></u>
<b><u>22,817</u></b>	83,773	60,956
38,776	58,776	20,000
<u>(12,952)</u>	<u>(15,952)</u>	<u>(3,000)</u>
<b><u>25,824</u></b>	42,824	17,000
<b>S 48,641</b>	3. 126,597	<b>S 77,956</b>

## WINNEFOX LIBRARY SYSTEM

### NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS December 31, 2002

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Winnefox Library System (the "System") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the System's accounting policies are described below.

- A. REPORTING ENTITY** - in 1972 the Wisconsin Legislature passed legislation enabling the establishment of public library systems. The Winnefox Library System was established in 1977, The System, a federation of the thirty public libraries in Green Lake, Marquette, Waushara, Winnebago, and Fond du Lac counties, is legally deemed a joint agency of the counties. The System is governed by a twenty-three member Board of Trustees representing the five counties- These financial statements present Winnefox Library System as the primary government.
- B. FUND ACCOUNTING** -The accounts of the System are organized on the basis of funds and an account group. A fund is a separate accounting entity with a self-balancing set of accounts- An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Account groups measure only financial position and not results of operations.

The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. System resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general **purpose** financial statements in this report, as follows:

#### GOVERNMENTAL FUNDS

*General Fund* - The general fund is the operating fund of the System. It is used to account for **all** financial resources of the System except those required to be accounted for in other funds.

*Special Revenue Funds* - Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The System accounts for its Winnefox Automated Library Services (WALS) and Winnefox Cooperative Technical Services (WCTS) funds in special revenue funds,

- C. TOTAL COLUMNS AND COMPARATIVE DATA ON COMBINED STATEMENTS** - The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither are such data comparable to a consolidation since interfund eliminations have **not been made in** the aggregation of this data.

Comparative total data for the prior year have been presented in the accompanying general purpose financial statements in order to provide an understanding of changes in the System's financial position and operations and are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America. Comparative data by fund type have not been presented because their inclusion would make certain statements unduly complex and difficult to understand.

## WINNEFOX LIBRARY SYSTEM

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
December 31, 2002**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

- D. **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING** - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. General fixed assets are reflected as expenditures in governmental funds. General fixed assets have not been aggregated for reporting in a fixed assets account group as required by accounting principles generally accepted in the United States of America. Long-term obligations that are not expected to be financed from expendable available financial resources are reported in the general long-term obligations account group, rather than as fund liabilities.

The governmental funds are accounted for on a modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner:

- *Revenue* is recognized when it becomes both measurable and available (susceptible to accrual). Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. With the exception of state aids received for the following fiscal year, all revenues are considered susceptible to accrual,
- *Expenditures* are generally recognized when the related fund liability is incurred. Exceptions to this general rule include compensated absences and unfunded pension amounts which are not to be liquidated from expendable and available resources.

- E. **BUDGETARY ACCOUNTING** - An operating budget is adopted each year for the general and special revenue funds. Budgetary expenditure control is exercised at the natural (object) level, as presented in the combined financial statements. Reported budget amounts are as originally adopted or as amended by the Board of Trustees. Encumbrance accounting is not employed.
- F. **PREPAID EXPENDITURES** - Prepaid expenditures represent payments made by the System for which benefits extend beyond December 31. Prepaid expenditures at December 31, 2002 relates to prepaid rent. A fund balance reserve for prepaid expenditures has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.
- G. **FUND BALANCE CLASSIFICATION** - Reserved fund balance indicates that portion of fund balance not appropriate for expenditures or legally segregated for specific purposes-
- H. **COMPENSATED ABSENCES** - The System's policy allows employees to earn varying amounts of vacation and sick pay for each year employed. Upon retirement or termination of employment, the employees are entitled to the full amount of their unused accrued vacation pay in cash. Upon retirement or death the employee is entitled to payment for one-half (50%) of accumulated sick leave, up to a maximum of 600 hours. Benefits that require payment in future fiscal years though related to services previously rendered are recorded as a liability in the governmental funds to the extent they would be liquidated with expendable available resources. The remainder of the liability is recorded in the general long-term obligations account group. The liability includes gross pay as well as related payroll taxes and retirement plan contributions-
- I. **STATE AND COUNTY AIDS** - State and county aids are recognized as revenue in the entitlement year, provided they are available. Federal and state aids for reimbursable programs are recognized as

## WINNEFOX LIBRARY SYSTEM

### NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

December 31, 2002

#### NOTE 2- CASH AND INVESTMENTS

Under Wisconsin Statutes, the System is legally restricted to certain types of investments for any of its funds not immediately needed, including the following:

1. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association that **is** authorized to transact business in this state if the time deposits mature in not more than three years.
2. Bonds or securities issued or guaranteed **as** to principal and interest by the federal government, or by a commission, board **or** other instrumentality **of** the federal government.
3. Bonds or securities of any county, city, drainage district, technical college district, local exposition **or** professional baseball park district, University of Wisconsin Hospitals and Clinics Authority, village, town **or** school district of this state,
4. Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which **is** the highest or second highest rating category assigned by any of the nationally recognized rating agencies, or if that **security is senior to**, or on a parity with, a security of the same issuer which has such a rating.
5. Securities of an open-end management investment company or investment trust (mutual fund), subject **to** various conditions and Investment options.
6. **The** State of Wisconsin's Local Government Investment Pool (LGIP),
7. Repurchase agreements with public depositories, if the agreement is secured by federal bonds **or** securities,

#### DEPOSITS

**At December 31, 2002**, the carrying amount of the System's deposits is \$511,244 and the bank balance is \$513,740. The difference between these balances represents outstanding checks and deposits in transit. **Of** the bank balance, \$136,203 is covered by federal depository insurance (FDIC) and \$377,537 was uninsured and uncollateralized. Interest bearing bank deposits are stated **at** cost, which approximates fair value.

Additional protection in case of losses caused by failure of public depositories is provided by the State Deposit Guarantee Fund. The Fund provides additional coverage in each financial institution of \$400,000 above the applicable insurance coverage provided by the **FDIC**. However, although the Fund had reserves available at December 31, 2002, the future availability of resources to cover the 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 depositories for losses until the appropriation is exhausted, at which time the Fund will be abolished.

#### INVESTMENTS

At December 31, 2002, the System's investments consist entirely of \$1,517,647 with the Local Government Investment Pool (LGIP). The LGIP is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board with oversight by a Board of Trustees as authorized in Wisconsin Statutes 25.14 and 25.17. The LGIP is not registered with the SEC as an investment company. The SIF reports the fair value of its underlying investments annually. Participants have the right to withdraw their funds in total on one day's notice. At December 31, 2002, the fair value of the System's investments in the SIF is \$1,517,647, which is instantaneously

**WINNEFOX LIBRARY SYSTEM****NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
December 31, 2002**NOTE 2 • CASH AND INVESTMENTS (cont.)**

The System's investments in the LGIP cannot be classified by credit risk since they are not evidenced by securities that exist in physical or book entry form. However, investments in the LGIP are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the fund except **U.S.** government and agency securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC, State of Wisconsin Deposit Guarantee Fund coverage, and income on the investment during the calendar quarter a loss occurs. The System did not own any other types of investments during 2002.

**NOTE 3 - FUNDING SOURCES**

The System received approximately 82% of its funding from the State of Wisconsin and Green **Lake**, Marquette, Waushara, Winnebago and Fond du **Lac** counties in 2002, creating an economic dependency between the System and these sources.

**NOTE 4 - DEFINED BENEFIT PENSION PLAN**

All eligible Winnefox Library System employees participate in the Wisconsin Retirement System (WRS), a cost-sharing multiple-employer defined benefit public employee retirement system. All permanent employees expected to work over 600 hours a year are eligible to participate in the WRS. Covered employees in the General category are required by statute to contribute 5.2% of their salary to the plan. Winnefox Library System makes these contributions to the plan on behalf of employees and is required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for Winnefox Library System employees covered by the WRS for the year ended December 31, 2002 was \$658,085; the employer's total payroll was \$673,876. The total required contribution for the year ended December 31, 2002 was \$63,834 or 9.7% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ended December 31, 2001 and 2000 were \$56,363 and \$48,872. respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 are entitled to receive a retirement benefit. Employees may retire at age 55 and receive actuarially reduced benefits. Retirement benefits are calculated as 1.6% of final average earnings for each year of creditable service. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. 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 are immediately vested-

The pension related debt for Winnefox Library System as of December 31, 2002, was \$54,800. This amount is included in the general long-term obligations account group as Winnefox Library System's best estimate of its unfunded commitment to the plan. This liability was determined in accordance with provisions of GASB Statement 27 regarding pension related debt. Depending on actuarial assumptions, this estimate can vary significantly.

**The WRS** issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, Wisconsin 53707-7931-

## WINNEFOX LIBRARY SYSTEM

### NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS December 31, 2002

#### NOTE 5 - LEASE

The System leases office space from the Oshkosh Public Library (OPL) under a lease agreement that requires annual payments of \$11,844 plus a percentage of OPL's maintenance and utility charges. **Rental payments for 2002** totaled \$30,616.

In addition to the annual rent payments, a prepayment in the amount of \$50,000 was made to the Oshkosh Public Library in 1994 for the System's share of expenses related to construction and building rehabilitation. This amount is being amortized over twenty years as additional rent expense. The unamortized prepayment is \$30,000 at **December 31, 2002**.

#### NOTE 6 - INDIVIDUAL FUND DISCLOSURES

- a) Expenditures exceeded the amounts budgeted in the individual special revenue funds as follows:

	<u>Excess Expenditures</u>
Winnefox Automated Library Services:	
Contractual services	\$ 7,067
Minor equipment	5,090
Other	137
Salaries and related fringe benefits	1,032
Operations support	2,138
Winnefox Cooperative Technical Services:	
Telephone and communication	77

The excess expenditures did not result in fund balance deficits in either of the individual special revenue funds. Favorable variances in other expenditure categories and revenues, and available fund balance financed the excess expenditures.

- b) The System's reserved fund balances are for the purposes described below.

<u>General Fund</u>	
Prepaid expenditures	\$ 30,000
Payments to member libraries	244,620
Subsequent year's expenditures	103,203
<b>Total</b>	<b>\$ 377,823</b>
<u>Special Revenue Funds</u>	
Winnefox Automated Library Services (WALS)	
Subsequent year services	\$ 110,260
Equipment	597,323
	707,583
Winnefox Cooperative Technical Services (WCTS)	
Improvement grants	37,945
Subsequent year services	105,836
	143,781
<b>Total</b>	<b>\$ 851,364</b>

## WINNEFOX LIBRARY SYSTEM

### NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS December 31, 2002

#### NOTE 6 - INDIVIDUAL FUND DISCLOSURES (corit)

The WALs reserve for subsequent year services relates to costs associated with the operation of a minicomputer based Integrated system providing circulation control, on-line cataloging, materials booking **and** acquisitions for larger library members contributing to this fund. The WCTS reserve for subsequent year services relates to costs associated with providing materials, acquisitions, cataloging, and processing to smaller libraries in Green Lake, Marquette and Waushara counties.

c) Operating transfers for the year ended December 31, 2002 consists of the following:

Fund Transferred To:	Fund Transferred From:	Amount
<b>General</b>	Winnefox Automated Library Services	\$ <b>3,000</b>
<b>Special revenue</b>		
Winnefox Automated Library Services	General	45,824
Winnefox Automated Library Services	Winnefox Cooperative Technical Services	<u>12,952</u>

#### **NOTE 7 - EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT - PERIOD FINANCIAL STATEMENTS**

The Governmental Accounting Standards Board (GASB) has approved Statement Nos. 34, 37 and 38- These Statements require significant changes from the current method of financial reporting for all state and **local** governments in the United States, GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*; Statement No. 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*; and Statement No. **38**, *Certain Financial Statement Note Disclosures* are effective for the System for the fiscal year beginning on January 1, 2004. These Statements require retroactive application of certain accounting and reporting standards, which may restate portions of these financial statements.

#### **NOTE 8 - RISK MANAGEMENT**

The System is exposed to various risks of loss, including torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and health care of employees; and natural disasters. The System purchases commercial insurance coverage for most of these risks, with minimal deductibles. There were no significant reductions in purchased coverage for 2002. Settled claims have not exceeded the commercial coverage in any of the past three years.

SUPPLEMENTAL INFORMATION

**WINNEFOX LIBRARY SYSTEM**COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS  
December 31, 2002

	Winnefox Automated Library Services	Winnefbx Coopersitive Techrm=al Serviciss	Total
<b>ASSETS</b>			
Cash and investments	\$ 770,138	\$ 167,885	\$ 938,023
Accounts receivable	12,663	15,885	28,548
Due from other fund	-	149	146
<b>TOTAL ASSETS</b>	<b>\$ 782,801</b>	<b>3 183,916</b>	<b>\$ 966,717</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ 22,278	3 13,536	\$ 35,814
Due to other funds	41,140	26,599	67,739
Deferred revenue	11,800	-	11,800
<b>Total Liabilities</b>	<b>75,218</b>	<b>40.135</b>	<b>115,353</b>
<b>FUND BALANCES - RESERVED</b>	<b>707,583</b>	<b>143,781</b>	<b>851,364</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 782,801</b>	<b>S 183,916</b>	<b>\$ 966,7f7</b>

## WINNEFOX LIBRARY SYSTEM

### COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - SPECIAL REVENUE FUNDS Year Ended December 31, 2002

	Winnefox Automated Library Services	Winnefox Cooperative Technical Services	Total
<b>REVENUES</b>			
Intergovernmental, primarily counties	\$	\$ 172,825	\$ 172,825
Grants	69,917	-	69,917
Services to member libraries;			
Services	445,103		445,103
Depreciation reserve	93,301	-	93,301
Sales to libraries	-	144,084	144,084
Interest	20,336	2,604	22,940
Other	16,028	10,181	26,209
Total Revenues	<u>644,685</u>	<u>329,694</u>	<u>974,379</u>
<b>EXPENDITURES</b>			
Salaries and related fringe benefits	177,041	125,722	302,763
Supplies and postage	27,439	912	28,351
Telephone and communication	40,286	1,377	41,663
Travel, training and conferences	10,251	2,687	12,938
Insurance	-	559	559
Equipment maintenance	53,410	464	53,874
Contractual services	57,197	7,903	65,100
Library materials	-	147,904	147,904
Capital expenditures	82,114	-	82,114
Minor equipment	18,115	-	18,115
Operations support	136,508	-	136,508
Other	537	180	717
Total Expenditures	<u>602,898</u>	<u>287,708</u>	<u>890,606</u>
Excess Revenues	41,787	41,986	83,773
<b>OTHER FINANCING SOURCES (USE)</b>			
Operating transfers in	58,776	-	58,776
Operating transfers out	(3,000)	(12,952)	(15,952)
Total Other Financing Sources (Use)	<u>55,776</u>	<u>(12,952)</u>	<u>42,824</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES	97,563	29,034	126,597
FUND BALANCES - Beginning of Year	<u>610,020</u>	<u>114,747</u>	<u>724,767</u>
	<u>3. 707,583</u>	<u>\$ 143,781</u>	<u>3. 851,364</u>