

PRAIRIECAT
COAL VALLEY, ILLINOIS

ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
June 30, 2018

PRAIRIECAT

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

August 30, 2018

The Administrative Council
PrairieCat
Coal Valley, Illinois

We have audited the accompanying financial statements of PrairieCat, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise PrairieCat'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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 PrairieCat'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 PrairieCat's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of PrairieCat, as of June 30, 2018, 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 as listed in the table of contents and budgetary information reported in the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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 PrairieCat's basic financial statements. The supplemental schedule is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.


LAUTERBACH & AMEN, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

PRAIRIECAT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

As the management of PrairieCat, we present the following discussion and analysis of PrairieCat's financial performance, which provides an overview of PrairieCat's financial activities for the year ended June 30, 2018, PrairieCat's eighth year of operations. We encourage our readers to review the information presented herein in conjunction with the basic financial statements that follow in order to enhance their understanding of PrairieCat's financial performance.

Financial Highlights

As of June 30, 2018, PrairieCat's total net position was \$1,184,726. Net position decreased \$9,941 for the year ended June 30, 2018 as PrairieCat had a net operating loss of \$12,686, and investment income of \$2,745 that partially offset this loss. This decline in net position was \$20,759 below the decline anticipated in the budget.

Operational Highlights

PrairieCat made progress in many areas during the year ended June 30, 2018. The outline below gives the reader an indication of PrairieCat's accomplishments and activities during the year:

- Fiscal year 2018 was another eventful and successful year for PrairieCat, and much of what was accomplished was due to the support Reaching Across Illinois Library System (RAILS) provides. RAILS provided 12 full time staff to directly support PrairieCat's 128 libraries that are located in 14,000 square miles across northern Illinois. Many PrairieCat members are small public or school libraries which depend on RAILS staff support and training to be successful at their libraries. RAILS staff assigned to the PrairieCat contract made 79 site visits to members, provided 127 training sessions representing 2,589 training contact hours, and closed 2,845 help desk tickets in fiscal year 2018.
- The RAILS Local Library System Automation Program (LLSAP) grant opportunity provided in fiscal year 2017 allowed the Marseilles Public Library and Warren Township Library to join PrairieCat in fiscal year 2018. Warren Township went live in fiscal year 2018 and Marseilles will go live on the system in late August 2018. Warren Township is upgrading from Union List membership to Basic Online, and Marseilles is a new member, joining at the Basic Online level. PrairieCat is also bringing the Byron Public School District, a former Union List member, back into PrairieCat. They will be rejoining as a Union List member, however all three of their schools will now be adding their records to the database, whereas they formerly only incorporated the high school into PrairieCat. They will rejoin in fiscal year 2019. Another library that was able to upgrade thanks to an earlier LLSAP grant, Johnsburg Public Library, was brought live as a circulating member in December 2017.
- PrairieCat completed its initiative to employ staff directly, rather than leverage RAILS-provided staff. On June 30, 2018 staff resigned officially from RAILS and were immediately rehired by PrairieCat.
- The fourth annual PrairieCat Users Group (PUG) Day was held on September 29, 2017. Attendance at the 2017 event was 225. PUG Day was held at Waubensee Community College in fiscal year 2018, and will move to the Quad Cities area in fiscal year 2019. A new committee dedicated to PUG Day planning was formed for fiscal year 2018, as the event has grown significantly in size and scope over the last few years.

- A new committee dedicated to user experience was created in fiscal year 2018. This group is currently undertaking projects such as the redesign of the PrairieCat support website, as well as evaluating enhancements to the online cataloging interface.
- PrairieCat kept pace with Innovative upgrade rollouts, and most recently upgraded to version 4.0 of the Sierra software. PrairieCat is also serving in an advisory role to Innovative and providing ongoing feedback on the development of their next generation software.
- In order to create a more representative governing body that better reflects the membership, in fiscal year 2018 PrairieCat combined the existing Administrative Council seat for Academic institutions with the seat for schools and special libraries.
- Existing servers that housed PrairieCat's listserv, email, and file transfer functions were decommissioned and replaced by a new virtual host, which houses these functions. The existing Zimbra email software, previously running on a free, severely outdated version, was upgraded to a current and supported version.
- Regional, zone-based member update meetings continued in fiscal year 2018. Meetings are held twice yearly in April and November to promote member engagement and communication. These continue to be popular, and attendance has grown during the two years that PrairieCat has held them.
- A new strategic plan was approved in fiscal year 2018. This plan will provide structure and direction for the organization for the next three years.
- The By-Laws and General Policy Manual were updated and revisions approved, along with changes to the Circulation and Technical Services Policy and Procedures Manuals.
- Several PrairieCat member libraries are involved in the RAILS Find More Illinois pilot project, and the PrairieCat director remains a part of the implementation committee for this project.
- PrairieCat continues to produce a popular monthly e-newsletter, PING, as well as a Facebook page and twitter feed.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to PrairieCat's basic financial statements. The basic financial statements are comprised of the enterprise fund financial statements and the notes to the financial statements.

Financial Statements

The financial statements of PrairieCat are intended to provide the reader with an understanding of the financial position of PrairieCat as of the close of the fiscal year and the results of activities for the year then ended. The enterprise fund financial statements are similar to a private-sector business. PrairieCat charges to member libraries for the services it provides and for group purchase reimbursements are reported in the enterprise fund.

In addition to the basic financial statements, the notes to the financial statements provide further information to the reader and should be considered an integral part of the financial statements.

Financial Analysis

Net position may serve, over time, as a useful indicator of an organization's financial position. PrairieCat's total assets exceed liabilities by \$1,184,726 as of the close of the fiscal year ended June 30, 2018. Of the total net position balance, \$336,207 was designated for future capital expenses and \$848,519 was designated for subsequent year's expenses. The net position balance designated for subsequent year's expenses of \$848,519 is adequate to fund operations for a little over six months, assuming that current spending remains static and the incorporation of the new contract with RAILS, which subsidizes PrairieCat operations.

PrairieCat's net position for the years ended June 30, 2018 and 2017 is summarized as follows:

Condensed Statement of Net Position

| | Business-Type Activities 2018 | Business-Type Activities 2017 |
|---|-------------------------------------|-------------------------------------|
| Current Assets | \$ 1,254,005 | \$ 1,221,562 |
| Capital Assets, Net of Accumulated Depreciation | --- | --- |
| Total Assets | 1,254,005 | 1,221,562 |
| Current Liabilities | 69,279 | 26,895 |
| Long-term Liabilities | --- | --- |
| Total Liabilities | 69,279 | 26,895 |
| Investment in Capital Assets | --- | --- |
| Unrestricted | 1,184,726 | 1,194,667 |
| Total Net Position | 1,184,726 | 1,194,667 |

For the year ended June 30, 2018, 100% of PrairieCat's total assets were current and consisted of cash, amounts prepaid to vendors, and accounts receivable due from members. Liabilities as of June 30, 2018, represent amounts owed to vendors, amounts owed to member libraries related to eCommerce activity, and amounts paid by PrairieCat member libraries for services and products to be provided during the following year. PrairieCat's unrestricted net position of \$1,184,726 was 100% of total net position as all of the capital assets were fully depreciated as of June 30, 2018.

Condensed Statement of Revenues, Expenses and Changes in Net Position

| | Business-Type Activities 2018 | Business-Type Activities 2017 |
|--------------------------|-------------------------------------|-------------------------------------|
| Operating Revenues | | |
| Charges for Services | \$ 908,221 | \$ 904,809 |
| Total Operating Revenues | 908,221 | 904,809 |
| Operating Expenses | | |
| Bibliographic Access | 920,907 | 963,870 |
| Total Operating Expenses | 920,907 | 963,870 |
| Operating Income (Loss) | (12,686) | (59,061) |
| Non-Operating Revenues | | |
| Investment Income | 2,745 | 2,704 |
| Change in Net Position | (9,941) | (56,357) |
| Net Position, Beginning | 1,194,667 | 1,251,024 |
| Net Position, Ending | 1,184,726 | 1,194,667 |

The Statement of Revenues, Expenses and Changes in Net Position shows the nature and source of the changes in net position during the year ended June 30, 2018. PrairieCat's operating revenues increased by

\$3,412 in fiscal year 2018 from fiscal year 2017 due to several factors. The largest increase in revenues was due to the new hosting fee of \$24,900 charged to the membership in fiscal year 2018 to partially recover the costs of PrairieCat migrating their servers to a hosted solution provided by their ILS vendor. Other increases include the \$8,250 of one-time capital reserve contributions from new and upgrading members including: Marseilles Public Library, Warren Township Public Library, and Byron Schools; the one-time system set-up costs of \$7,229 billed in fiscal year 2018 to Marseilles Public Library; and the additional budgeted fees of \$6,595 billed to members to cover increased attendance at both the Delegates' Assembly and PUG Day events. These increases were almost completely offset by the decrease in revenue due to the decision of the membership to no longer participate in the RAILS-sponsored eRead IL program as a consortium-wide member in fiscal year 2018 (\$43,602).

Operating expenses decreased by \$42,963 in fiscal year 2018 from fiscal year 2017, primarily due to the completion of the depreciation for PrairieCat's capital assets in fiscal year 2017 (\$93,675) and the decision of the membership to no longer participate in the RAILS-sponsored eRead IL program as a consortium-wide member in fiscal year 2018 (\$43,593). These decreases were partially offset by the additional \$49,950 of Innovative Interfaces server hosting expenses and one-time migration expenses related to these hosting services for fiscal year 2018, the additional one-time costs of \$14,500 for the ILS system check-up and database cleanup services for fiscal year 2018, the additional \$5,480 of pass-through ILS costs to add Marseilles to the database during fiscal year 2018, and the annual contractual increase for ILS maintenance costs in fiscal year 2018 of \$6,555. Additional increases during fiscal year 2018 were for consulting for the 2018 strategic planning process as well as the preparation for fiscal year 2019 staffing independence for the consortium (\$10,100), legal advice related to staffing independence (\$3,293), and the purchase of replacement servers and discs for already existing servers (\$5,235).

PrairieCat's operating expenses were under-budget by \$47,905 in fiscal year 2018, primarily due to the post-budget decision of the membership to no longer participate in the RAILS-sponsored eRead IL program as a consortium-wide member (\$45,000). As a result, all PrairieCat members remaining in eRead IL are invoiced directly by RAILS.

Capital Assets

PrairieCat's investment in capital assets as of June 30, 2018 and 2017 is shown below:

Capital Assets

| | Business-Type Activities 2018 | Business-Type Activities 2017 |
|--------------------------------|-------------------------------------|-------------------------------------|
| | <u>2018</u> | <u>2017</u> |
| Computers | \$ 390,310 | 549,510 |
| Less: Accumulated Depreciation | <u>(390,310)</u> | <u>(549,510)</u> |
| Net Capital Assets | <u><u> - </u></u> | <u><u> - </u></u> |

The change in the net capital assets components from fiscal year 2017 to fiscal year 2018 was due to the disposal of six fully depreciated servers as a result of moving to a hosted server model. No new capital assets were purchased during fiscal year 2018.

Factors Bearing on PrairieCat's Future

The new PrairieCat Basic Online membership level was fully implemented in fiscal year 2014, and as of July 1, 2018, 18 members are now at that level. This level allows more libraries to participate more fully in PrairieCat, increasing the number of libraries circulating completely on the system rather than only using PrairieCat for resource sharing. Currently, PrairieCat has 72 fully participating, 18 basic online, and 37 union list members.

The three year contract with RAILS for services and staff has provided for stability for PrairieCat members, but PrairieCat is mindful of their need to remain sustainable. Working with members of the Administrative Council's Sustainability Committee and PrairieCat staff, on July 1, 2018, PrairieCat finished the process of implementing staffing independence from RAILS. By having direct responsibility for staff, PrairieCat will increase their sustainability and make themselves less reliant on RAILS. Further long-range budget planning is also underway to increase PrairieCat's self-reliance and decrease reliance on RAILS funding, which may be uncertain in coming years due to budget vagaries.

PrairieCat continues to stabilize and grow. Recently, the eight member libraries of Northern Illinois Cooperative (NIC) have decided to join the PrairieCat consortium. They have all submitted Intergovernmental Agreements (IGAs) to the Delegates Assembly for membership, which were approved at PrairieCat's July 2018 meeting. PrairieCat is excited to welcome the NIC libraries into the fold. Timeline for go-live on this project is May 2019. PrairieCat will be submitting an LLSAP support grant to RAILS to facilitate this project.

Requests for Information

This financial report is designed to provide PrairieCat's members, creditors, and other users with a general overview of PrairieCat's finances and to demonstrate PrairieCat's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact PrairieCat, Attention, Carolyn Coulter, PrairieCat Director, at 220 West 23rd Avenue, Coal Valley, Illinois 61240.

BASIC FINANCIAL STATEMENTS

PRAIRIECAT

**Statement of Net Position
June 30, 2018**

| ASSETS | |
|---|-------------------------|
| Current Assets | |
| Cash and Cash Equivalents | \$ 1,010,427 |
| Accounts Receivable - Net of Allowances | 230 |
| Other Receivables | 2,584 |
| Prepays | 240,764 |
| Total Current Assets | <u>1,254,005</u> |
| Noncurrent Assets | |
| Capital Assets | |
| Computers | 390,310 |
| Accumulated Depreciation | <u>(390,310)</u> |
| Total Noncurrent Assets | <u>-</u> |
| Total Assets | <u>1,254,005</u> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts Payable | 54,018 |
| Unearned Revenues | <u>15,261</u> |
| Total Liabilities | <u>69,279</u> |
| NET POSITION | |
| Investment in Capital Assets | - |
| Unrestricted | <u>1,184,726</u> |
| Total Net Position | <u><u>1,184,726</u></u> |

The notes to the financial statements are an integral part of this statement.

PRAIRIECAT

**Statement of Revenues, Expenses and Changes in Net Position - Budget and Actual
For the Fiscal Year Ended June 30, 2018**

| | Original and Final Budget | Actual |
|---------------------------------|------------------------------|-------------------------|
| Operating Revenues | | |
| Fees for Services and Materials | \$ 850,492 | 857,478 |
| Reimbursements | 84,120 | 47,711 |
| Grants | - | 3,000 |
| Miscellaneous | 1,000 | 32 |
| Total Operating Revenues | <u>935,612</u> | <u>908,221</u> |
| Expenses | | |
| Administration | <u>968,812</u> | <u>920,907</u> |
| Operating Income (Loss) | (33,200) | (12,686) |
| Non-Operating Revenues | | |
| Investment Income | <u>2,500</u> | <u>2,745</u> |
| Change in Net Position | <u><u>(30,700)</u></u> | (9,941) |
| Net Position | | |
| Beginning | | <u>1,194,667</u> |
| Ending | | <u><u>1,184,726</u></u> |

The notes to the financial statements are an integral part of this statement.

PRAIRIECAT

Statement of Cash Flows For the Fiscal Year Ended June 30, 2018

| | |
|--|-------------------------|
| Cash Flows from Operating Activities | |
| Receipts from Customers and Users | \$ 834,143 |
| Other Receipts | 50,743 |
| Payment to Suppliers | <u>(878,523)</u> |
| | <u>6,363</u> |
| Cash Flows from Investing Activities | |
| Interest Received | <u>2,745</u> |
| Net Change in Cash and Cash Equivalents | 9,108 |
| Cash and Cash Equivalents | |
| Beginning | <u>1,001,319</u> |
| Ending | <u><u>1,010,427</u></u> |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities | |
| Operating Income (Loss) | (12,686) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| (Increase) Decrease in Current Assets | (23,335) |
| Increase (Decrease) in Current Liabilities | <u>42,384</u> |
| Net Cash Provided by Operating Activities | <u><u>6,363</u></u> |

The notes to the financial statements are an integral part of this statement.

PRAIRIECAT

Notes to the Financial Statements June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of PrairieCat have been prepared in conformity with generally accepted accounting principles (GAAP) as applied 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 PrairieCat's accounting policies are described below.

REPORTING ENTITY

PrairieCat was formed as an Illinois/Iowa Intergovernmental Instrumentality on December 1, 2010. Its assets were transferred from the Prairie Area Library System as of December 31, 2010. PrairieCat no longer has members in Iowa and is currently an Illinois Intergovernmental Instrumentality. The purpose of PrairieCat is to provide cost-effective and efficient resource discovery and acquisition for patrons of PrairieCat member libraries. PrairieCat is governed by a board of directors called the PrairieCat Administrative Council, which is in control of the spending of all monies and funds held in the name of the organization.

BASIS OF PRESENTATION

In the Statement of Net Position, PrairieCat's activities are reported on a full accrual, economic basis, which recognizes all long-term assets/deferred outflows and receivables as well as long-term debt/deferred inflows and obligations. PrairieCat's net position is reported in two parts: net investment in capital assets and unrestricted.

PrairieCat uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into the following categories: governmental, proprietary, and fiduciary. Each category, in turn, is divided into separate "fund types." PrairieCat utilizes only the proprietary fund type.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to members or outside parties and are accounted for as enterprise funds.

PRAIRIECAT

Notes to the Financial Statements June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

On the Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position, PrairieCat’s activities are presented using the economic resources measurement focus as defined below. All proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are on the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. All assets/deferred outflows and liabilities/deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

In the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, PrairieCat’s activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets/deferred outflows, and liabilities/deferred inflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION

Cash and Investments

Cash and cash equivalents on the Statement of Net Position are considered to be cash on hand and demand deposits. For the purpose of PrairieCat’s Statement of Cash Flows, cash and cash equivalents are considered to be cash on hand, demand deposits, and all highly liquid investments with an original maturity of three months or less.

Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, PrairieCat categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Receivables

In the Statement of Net Position, receivables, if any, consist of all revenues earned at year-end and not yet received.

PRAIRIECAT

**Notes to the Financial Statements
June 30, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS, AND NET POSITION – Continued

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their acquisition value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation of capital assets in the proprietary fund types is computed using the straight-line method.

Net Position

In the basic financial statements, equity is classified as net position and displayed in two components:

Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings, if any, that are attributable to the acquisition or improvement of those assets.

Unrestricted – The remaining amount of net position.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

Budgets are adopted on a basis consistent with generally accepted accounting principles. An annual budget is adopted for the enterprise fund and approved by the Delegates Assembly.

The Administrative Council prepares the annual budget. The budget is prepared by category and includes information on the current year estimates. The proposed budget is presented to the Delegates Assembly for review and approval. The budget was not amended in fiscal year 2018.

PRAIRIECAT

Notes to the Financial Statements June 30, 2018

NOTE 3 – DETAIL NOTES ON THE BASIC FINANCIAL STATEMENTS

DEPOSITS AND INVESTMENTS

Permitted Deposits and Investments – Statutes authorize PrairieCat to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, commercial paper rated within the three highest classifications by at least two standard rating services, Illinois Funds and the Illinois Metropolitan Investment Fund.

Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the carrying amount of PrairieCat’s deposits totaled \$1,010,427 and the bank balances totaled \$1,209,064.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. PrairieCat minimizes this risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operation funds primarily in shorter-term securities. PrairieCat held no investments at June 30, 2018; and therefore, they are not subject to interest rate risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. PrairieCat minimizes its exposure to credit risk by pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which PrairieCat will do business, and by diversifying the portfolio so that potential losses on individual securities will be minimized.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of bank failure, PrairieCat’s deposits may not be returned to it. Per PrairieCat’s investment policy, deposits in any one institution may exceed FDIC limits, with a signed collateralization agreement with the institution and with assets of the agreement to be held by a third party in PrairieCat’s name. At June 30, 2018, the entire amount of the bank balance of deposits was either covered by federal depository insurance or collateralized with securities held by a third party in PrairieCat’s name.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of PrairieCat’s investment in a single issuer. PrairieCat’s investment policy requires that the portfolio be diversified so that potential losses on individual securities will be minimized. At year-end, PrairieCat does not have any investments over 5 percent of the total cash and investment portfolio (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments).

PRAIRIECAT

**Notes to the Financial Statements
June 30, 2018**

NOTE 3 – DETAIL NOTES ON THE BASIC FINANCIAL STATEMENTS – Continued

CAPITAL ASSETS

The following is a summary of proprietary fund-type capital assets as of the date of this report:

| | Beginning Balances | Additions | Deletions | Ending Balances |
|--------------------------------------|-----------------------|-----------|-----------|--------------------|
| Depreciable Capital Assets | | | | |
| Computers | \$ 549,510 | - | 159,200 | 390,310 |
| Less Accumulated Depreciation | | | | |
| Computers | 549,510 | - | 159,200 | 390,310 |
| Total Net Depreciable Capital Assets | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

In PrairieCat’s capital asset policy, the following estimated useful lives are used to compute depreciation:

| | |
|-----------|-------------|
| Computers | 4 - 5 Years |
|-----------|-------------|

NET POSITION DESIGNATIONS

The following are net position designations at year-end for PrairieCat:

| | |
|---|------------------|
| Unrestricted Net Position | |
| Designated for Future Capital Purchases | \$ 336,207 |
| Undesignated | <u>848,519</u> |
| Total Unrestricted Net Position | <u>1,184,726</u> |

The designations of the unrestricted net position may be amended or rescinded by the PrairieCat Administrative Council.

PRAIRIECAT

Notes to the Financial Statements June 30, 2018

NOTE 4 – OTHER INFORMATION

RISK MANAGEMENT

PrairieCat is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters. These risks are provided for through a commercial insurance policy purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

COMMITMENTS

In April of 2017, PrairieCat renewed their contract for ILS software and servers. The total estimated remaining contract of \$1,397,821 will be paid from PrairieCat member fees. The addition of services will result in additional expenses related to the contract. As of June 30, 2018, the second payment of \$193,852 for annual maintenance was made.

This contract includes annual remaining maintenance costs for fiscal years 2019 through 2022 with an estimated remaining payment schedule as follows:

| | | |
|------------------------------|----|-------------------------|
| Projected Due Date July 2018 | \$ | 283,125 |
| Projected Due Date July 2019 | | 333,588 |
| Projected Due Date July 2020 | | 392,932 |
| Projected Due Date July 2021 | | <u>388,176</u> |
| Total | | <u><u>1,397,821</u></u> |

In March of 2015, PrairieCat entered into a three-year contract for services with the Reaching Across Illinois Library System (RAILS), a governmental entity. These services include administration, management, finance, human resources, bibliographic services, information technology support, use of facilities, utilities, telecommunications, vehicles, and all personnel salaries and costs. PrairieCat made quarterly payments totaling \$426,991 in fiscal year 2018. These amounts partially reimburse RAILS for its contract expenditures incurred.

In July 2018, PrairieCat entered into a new one-year contract for services with RAILS. This new contract reflects the fact that PrairieCat hired its own staff from RAILS as of July 1, 2018. The services in this new contract include information technology support, use of facilities, utilities, telecommunications, finance, and bibliographic services. Under the agreement, PrairieCat will receive payment from RAILS to supplement its other support in the total amount of \$588,542 during fiscal year 2019. This amount may be adjusted by mutual written agreement, and this contract is cancellable by mutual written consent or by either party upon 120 days' written notice to the other party.

OTHER SUPPLEMENTARY INFORMATION

PRAIRIECAT

**Schedule of Operating Expenses - Budget and Actual
For the Fiscal Year Ended June 30, 2018**

| | Original and Final Budget | Actual |
|---|------------------------------|---------|
| Operations | | |
| Administration | | |
| Property Insurance | \$ 1,200 | 1,185 |
| Vehicle | - | 70 |
| Travel and Meetings - Staff and Board | 24,250 | 21,018 |
| Public Relations | 500 | 1,117 |
| Liability Insurance | 5,500 | 4,441 |
| Computers, Software and Supplies | 2,000 | 9,864 |
| Equipment Repair and Maintenance Agreements | 1,000 | - |
| Legal | 3,000 | 5,417 |
| Accounting | 5,000 | 4,430 |
| Consulting | 5,000 | 11,205 |
| Information Service Costs | 397,221 | 379,884 |
| Contractual Agreements with Systems | 426,991 | 426,991 |
| Other Contractual Services | 46,000 | 49,950 |
| Professional Association Membership Dues | 150 | 141 |
| E-Resources | 45,000 | - |
| Miscellaneous | 6,000 | 5,194 |
| | <hr/> | <hr/> |
| Total Operating Expenses | 968,812 | 920,907 |
