

**HEARTLAND LIBRARY COOPERATIVE  
FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2019**



[CLAconnect.com](http://CLAconnect.com)

**WEALTH ADVISORY  
OUTSOURCING  
AUDIT, TAX, AND  
CONSULTING**

**HEARTLAND LIBRARY COOPERATIVE  
TABLE OF CONTENTS  
YEAR ENDED SEPTEMBER 30, 2019**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>3</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>8</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>9</b>
<b>BALANCE SHEET – GENERAL FUND</b>	<b>10</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND     BALANCE – BUDGET AND ACTUAL – GENERAL FUND</b>	<b>11</b>
<b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,     AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO     THE STATEMENT OF ACTIVITIES</b>	<b>12</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>13</b>
<b>OTHER REPORTS</b>	
<b>INDEPENDENT AUDITORS' 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></b>	<b>19</b>
<b>MANAGEMENT LETTER</b>	<b>21</b>
<b>INDEPENDENT ACCOUNTANTS' REPORT</b>	<b>23</b>



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Heartland Library Cooperative  
Sebring, Florida

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

We have audited the accompanying financial statements of the governmental activities and the general fund of the Heartland Library Cooperative (the Cooperative), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed in the table of contents.

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 opinions.

**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 general fund of the Cooperative as of September 30, 2019, and the respective changes in financial position and budgetary comparison for the general fund 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 on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2020, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Sebring, Florida  
January 16, 2020

**HEARTLAND LIBRARY COOPERATIVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2019**

The management of Heartland Library Cooperative (the Cooperative) offers this narrative overview and analysis of the financial activities of the Cooperative for the fiscal year ended September 30, 2019.

**FINANCIAL HIGHLIGHTS**

The following are key financial highlights for the fiscal year:

- The Cooperative's assets exceeded its liabilities at September 30, 2019 by \$378,403 (net position). Of this amount, \$11,165 was the investment in capital assets. As a result, \$367,238 (unrestricted net position) may be used to meet the government's ongoing obligations.
- The Cooperative's total net position increased by \$102,771.
- As of September 30, 2019, the fund balance in the Cooperative's general fund was \$390,180, which represents an increase of \$101,219 or 35% over the previous year.
- At September 30, 2019, unassigned fund balance for the general fund was \$377,206 or 106% of total general fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Cooperative's basic financial statements. The Cooperative's basic financial statements comprise three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Cooperative's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the Cooperative'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 Cooperative is improving or deteriorating. The statement of activities presents information showing how the Cooperative'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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements disclose functions of the Cooperative that are principally supported by intergovernmental revenues (governmental activities). Governmental activities of the Cooperative are comprised entirely of culture and recreation. The government-wide financial statements include only those of the Cooperative; there are no other entities which the Cooperative considers to be component units.

**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 Cooperative, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Cooperative are governmental type funds.

**HEARTLAND LIBRARY COOPERATIVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Fund Financial Statements (Continued)**

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Cooperative's only governmental fund is its general fund. The Cooperative adopts an annual appropriated budget for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with that budget.

**Notes to the Financial Statements**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**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 Cooperative, assets exceeded liabilities by \$378,403 as of September 30, 2019.

**Heartland Library Cooperative's Net Position**

<u>Government Activities</u>	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
<b>ASSETS</b>			
Current and Other Assets	\$ 412,046	\$ 299,585	\$ 112,461
Capital Assets	11,165	10,382	783
Total Assets	<u>423,211</u>	<u>309,967</u>	<u>113,244</u>
<b>LIABILITIES</b>			
Current and Other Liabilities	21,866	10,624	11,242
Long-Term Debt	22,942	23,711	(769)
Total Liabilities	<u>44,808</u>	<u>34,335</u>	<u>10,473</u>
<b>NET POSITION</b>			
Investment in Capital Assets	11,165	10,382	783
Unrestricted	367,238	265,250	101,988
Total Net Position	<u>\$ 378,403</u>	<u>\$ 275,632</u>	<u>\$ 102,771</u>

**HEARTLAND LIBRARY COOPERATIVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2019**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The largest portion of the Cooperative's net position, unrestricted, is a result of its cash and cash equivalents reduced by liabilities. Investment in capital assets (e.g., vehicles and equipment) is the second largest portion of net position. These capital assets are used entirely to provide services; consequently, these assets are not available for future spending. The remaining unrestricted balance of net position may be used to meet the Cooperative's ongoing obligations. As of September 30, 2019, the Cooperative reports positive balances in both categories of net position.

Governmental Activities – Governmental activities increased the Cooperative's net position by \$102,771; key elements of these changes are as follows:

**Heartland Library Cooperative's Net Position**

<u>Government Activities</u>	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
<b>REVENUES</b>			
Program Revenues:			
Operating Grants and Contributions	\$ 454,000	\$ 450,000	\$ 4,000
<b>EXPENSES</b>			
Culture and Recreation	<u>351,668</u>	<u>366,382</u>	<u>(14,714)</u>
<b>NET PROGRAM REVENUE (EXPENSE)</b>	102,332	83,618	18,714
<b>GENERAL REVENUES</b>			
Investment Earnings	107	112	(5)
Miscellaneous	<u>332</u>	<u>129</u>	<u>203</u>
Total General Revenues	<u>439</u>	<u>241</u>	<u>198</u>
<b>CHANGE IN NET POSITION</b>	102,771	83,859	18,912
Net Position - Beginning of Year	<u>275,632</u>	<u>191,773</u>	<u>83,859</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 378,403</u></u>	<u><u>\$ 275,632</u></u>	<u><u>\$ 102,771</u></u>

The Cooperative's governmental activities had net program income of \$102,332. The Cooperative experienced a stable amount in its operating grant, State Aid to Libraries. Expenses decreased due to the Cooperative uploading records directly as opposed to outsourcing uploads.

**HEARTLAND LIBRARY COOPERATIVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2019**

**FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the Cooperative uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund – The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Cooperative'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 its fiscal year. At September 30, 2019, the Cooperative had only one governmental fund, the general fund. The general fund is the operating fund of the Cooperative. At September 30, 2019, the total fund balance was \$390,180. Unassigned fund balance in the general fund was \$377,206 with the remainder of the balance nonspendable for prepaid items. As a measure of the general fund's liquidity, the total fund balance represents 110% of total general fund expenditures with the unassigned fund balance representing 106% of total general fund expenditures.

**BUDGETARY HIGHLIGHTS**

Budget and actual comparison schedules are provided in the basic financial statements for the general fund. The budget and actual comparison schedules show the original adopted budgets, the final revised budget, actual results, and variance between the final budget and actual results for the general fund. After the original budget is approved, it may be revised for a variety of reasons such as unforeseen circumstances, new bond or loan proceeds, new grant awards, or other unanticipated revenues and expenditures.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets – The Cooperative's investment in capital assets for its governmental type activities as of September 30, 2019 amounted to \$11,165 (net of accumulated depreciation). This investment in capital assets includes equipment and vehicles used for library purposes. The capitalization threshold is \$5,000.

<u>Government Activities</u>	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Equipment	\$ 75,539	\$ 102,416	\$ (26,877)
Less: Accumulated Depreciation	(64,374)	(92,034)	27,660
Total	<u>\$ 11,165</u>	<u>\$ 10,382</u>	<u>\$ 783</u>

Additional information on the Cooperative's capital assets can be found in Note 4 to the financial statements.

**LONG-TERM DEBT**

At September 30, 2019, the Cooperative had no outstanding long-term debt other than compensated absences.



**HEARTLAND LIBRARY COOPERATIVE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2019**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

For 2019-20, the available funding breakdown for State Aid grants, both Operating and Equalization, have not been released yet by the State Library. The Cooperative is currently receiving the maximum amount of State Aid (Multicounty Grants) allowed; therefore, this will not have any impact on the funding received for fiscal year 2020. If the legislature chooses to increase State Aid significantly during the 2020 session, there is a small possibility of the cooperative receiving additional funding in future years.

On the local level, if the participating counties reduced funding to their public libraries during the next few budget cycles, State Aid to the Cooperative could decrease because of the local matching funding formula. In other words, the more the counties spend on their local public libraries, the more State Aid the counties and the Cooperative could receive. Less money spent means fewer State Aid dollars received.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Cooperative's finances for all those with an interest in the government's finances. Questions concerning the financial statements, budgets, long-term financial planning, future debt issuances, or questions related to the management of Cooperative operations should be addressed to the Cooperative's executive director at:

Kresta King, Cooperative Coordinator  
Heartland Library Cooperative  
319 West Central Ave.  
Sebring, FL 33870

**HEARTLAND LIBRARY COOPERATIVE  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019**

**ASSETS**

Cash and Cash Equivalents	\$	393,511
Due from Highlands County		5,561
Prepaid Items		4,805
Inventory		8,169
Capital Assets, Net of Accumulated Depreciation		11,165
Total Assets		423,211

**LIABILITIES**

Accounts Payable and Other Accrued Liabilities		21,866
Noncurrent Liabilities:		
Due Within One Year		2,294
Due in More than One Year		20,648
Total Liabilities		44,808

**NET POSITION**

Investment in Capital Assets		11,165
Unrestricted		367,238
Total Net Position	\$	378,403

*See accompanying Notes to Financial Statements.*

**HEARTLAND LIBRARY COOPERATIVE  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2019**

**EXPENSES**

Culture and Recreation:

Personal Services	\$ 107,498
Operating Expenses	239,722
Depreciation	<u>4,448</u>
Total Expenses	<u>351,668</u>

**PROGRAM REVENUES**

Operating Grants and Contributions	<u>454,000</u>
------------------------------------	----------------

**NET REVENUE**

102,332

**GENERAL REVENUES**

Investment Earnings	107
Miscellaneous Revenues	<u>332</u>
Total General Revenues	<u>439</u>

**CHANGE IN NET POSITION**

102,771

Net Position - Beginning of Year

275,632

**NET POSITION - END OF YEAR**

\$ 378,403

*See accompanying Notes to Financial Statements.*

**HEARTLAND LIBRARY COOPERATIVE  
BALANCE SHEET  
GENERAL FUND  
SEPTEMBER 30, 2019**

**ASSETS**

**ASSETS**

Cash and Cash Equivalents	\$	393,511
Due from Highlands County		5,561
Prepaid Items		4,805
Inventory		8,169
Total Assets		\$ 412,046

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts Payable and Other Accrued Liabilities	\$	21,866
--	----	--------

**FUND BALANCE**

Nonspendable		12,974
Unassigned		377,206
Total Fund Balance		390,180
Total Liabilities and Fund Balance		\$ 412,046

**RECONCILIATION OF FUND BALANCE TO NET POSITION**

Fund Balance - General Fund	\$	390,180
-----------------------------	----	---------

**AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION ARE DIFFERENT BECAUSE:**

Capital Assets Used in the Governmental Activities are not Financial Resources and, Therefore, are not Reported in the General Fund		11,165
Accrued Compensated Absences are Considered to be Long-Term Liabilities and, Therefore, are not Reported in the Fund Financial Statements		(22,942)
		(22,942)

**NET POSITION OF GOVERNMENTAL ACTIVITIES**

	\$	378,403
--	----	---------

*See accompanying Notes to Financial Statements.*

**HEARTLAND LIBRARY COOPERATIVE  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2019**

	Budget		Actual	Variance - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 450,000	\$ 450,000	\$ 454,000	\$ 4,000
Investment Earnings	100	100	107	7
Other Revenue	-	-	377	377
Total Revenues	<u>450,100</u>	<u>450,100</u>	<u>454,484</u>	<u>4,384</u>
<b>EXPENDITURES</b>				
Culture and Recreation:				
Personal Services	106,467	106,467	108,267	(1,800)
Operating Expenditures	305,070	305,070	239,722	65,348
Capital Outlay	-	-	5,276	(5,276)
Total Expenditures	<u>411,537</u>	<u>411,537</u>	<u>353,265</u>	<u>58,272</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	38,563	38,563	101,219	62,656
Fund Balance - Beginning of Year	<u>319,488</u>	<u>319,488</u>	<u>288,961</u>	<u>(30,527)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 358,051</u></u>	<u><u>\$ 358,051</u></u>	<u><u>\$ 390,180</u></u>	<u><u>\$ 32,129</u></u>

See accompanying Notes to Financial Statements.

**HEARTLAND LIBRARY COOPERATIVE  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2019**

**AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:**

Net Change in Fund Balance - General Fund	\$	101,219
---	----	---------

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives as depreciation expense.

Capital Outlay - Equipment and Vehicle - Governmental Funds		5,276
Less: Depreciation Expense		(4,448)

The net effect of various transactions involving capital assets (i.e., sales and donations) is to decrease net position.		(45)
--	--	------

Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Net Change in Accrued Compensated Absences		769
--	--	-----

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES**

	\$	102,771
--	----	---------

**HEARTLAND LIBRARY COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Heartland Library Cooperative (the Cooperative) was established through an interlocal agreement signed on October 1, 1996 between DeSoto County, Hardee County, Highlands County, and Okeechobee County in accordance with Section 163.01 of the Florida Statutes. In addition, Glades County was permitted entrance into the Cooperative upon approval by the governing board on March 19, 2008. The purpose of the Cooperative is to provide enhancements to the library service provided by the counties, to encourage cooperation among the county libraries, and to provide free access to library service for all residents of the member counties.

As required by accounting principles generally accepted in the United States of America, these financial statements present the Cooperative and its component units for which the Cooperative is financially accountable. The application of these criteria provides for identification of any entities for which the Cooperative is financially accountable and other organizations that the nature and significance of their relationship with the Cooperative are such that exclusion would cause the Cooperative's basic financial statements to be misleading or incomplete. Based on the application of these criteria, the Cooperative has determined that there are no component units.

The accounting policies of the Cooperative conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

**Basis of Presentation**

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category and (or) the governmental and enterprise combined) for the determination of major funds. The Cooperative has used GASB Statement No. 34 minimum criteria for major fund determination.

The accounts of the Cooperative are organized on the basis of funds, each of which is considered a separate accounting entity. 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 or expenses as appropriate. Government 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.

Currently, the Cooperative has only one fund, the General Fund. The General Fund is the general operating fund of the Cooperative. It is used to account for all financial resources and expenditures.

**HEARTLAND LIBRARY COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Cooperative. The Cooperative reports only governmental activities; it does not have any business-type activities. Governmental activities are supported largely by grants.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues consist of grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Payments received from insurance proceeds and other items not properly included as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the Cooperative considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

**Budgets and Budgetary Data**

The following are the procedures in establishing the budget:

The Cooperative's Coordinator prepares the annual fiscal operating budget. The proposed budget is then presented to the Cooperative's board of directors for changes and final approval. Once adopted, the budget serves as legal authorization for expenditures.

Formal budgetary integration is employed as a management control device during the year for all governmental fund types. Budgets for the general fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations lapse at the close of the fiscal year.



**HEARTLAND LIBRARY COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method. Under the consumption method, services paid for in advance are reported as an asset until the period in which the services are actually consumed.

**Inventory**

Inventories are stated at cost on the first in first out method. The consumption method is used to account for inventories. The cost is recorded as an expenditure or expense at the time individual inventory items are consumed. Inventories reported in the General Fund are equally offset by nonspendable fund balance.

**Capital Assets**

Capital assets are defined by the Cooperative as having a minimum established cost (in the table listed below) and an estimated useful life in excess of one year. Such assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated acquisition value on the date donated. Equipment and intangibles are depreciated or amortized using the straight-line method over the following generally applied estimated useful lives:

<u>Assets</u>	<u>Years</u>	<u>Threshold</u>
Equipment and Vehicles	5	\$ 5,000
Software - Purchased/Leased	3 - 10	\$ 25,000

**Compensated Absences**

Employees of the Cooperative earn annual and sick leave credits in varying amounts. New employees of the Cooperative are required to complete a probationary period before accruing any sick or leave benefits.

For accumulated annual leave, the maximum allowable carry-over of annual leave is 240 hours at each calendar year-end. Employees are eligible to receive payment at his/her current rate of pay for hours accrued at termination, subject to certain limitations.

Sick leave credits vest based on years of service and other criteria. Upon termination of employment, employees may receive payment for a portion of accumulated sick leave at their current rate of pay.

Accumulated annual and sick leave are accrued in the governmental fund type to the extent that such amounts would normally be liquidated with expendable available financial resources.

**HEARTLAND LIBRARY COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance**

The classifications of fund balances are described as follows:

Nonspendable Fund Balance – Amounts that cannot be spent because they are either not in spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact.

Restricted Fund Balance – Amounts that can be spent only for specific purposes because of constraints imposed by external providers (such as grantors, bondholders, and higher levels of government), or imposed by constitutional provisions or enabling legislation.

Committed Fund Balance – Amounts that can be spent only for specific purposes determined by a formal action of the Cooperative's highest level of decision-making authority. The Cooperative has not established a policy regarding authorization to commit fund balance.

Assigned Fund Balance – Amounts the Cooperative intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. This intent can be expressed by the Cooperative's board or by the Cooperative's board delegating this responsibility to the Cooperative Coordinator through the budgeting process. The Cooperative has not established a formal policy regarding authorization to assign fund balance amounts for a specific purpose.

Unassigned Fund Balance – Amounts that are available for any purpose; these amounts can be reported only in the Cooperative's general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Cooperative considers restricted to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Cooperative considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

**Use of Estimates**

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

**HEARTLAND LIBRARY COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**NOTE 2 CASH**

**Custodial Credit Risk**

Custodial Credit Risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At year-end, the government's deposits were entirely covered by federal depository insurance or guaranteed by qualified public depositories in Florida pursuant to Chapter 280, Florida Statutes.

**NOTE 3 PERSONNEL COMMITMENTS**

Employees of the Cooperative earn annual and sick leave in varying amounts. In the event of retirement or termination of employment, an employee is paid for accumulated annual leave and a portion of sick leave credits unused. The cash benefit of the accumulated annual leave is determined by multiplying the employee's current wage rate by the number of hours of unused leave credits.

The following shows the change in compensated absences for the fiscal year ended September 30, 2019:

	Balance October 1, 2018	Additions	Deductions	Balance September 30, 2019	Due Within One Year
Compensated Absences	\$ 23,711	\$ 13,668	\$ (14,437)	\$ 22,942	\$ 2,294

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2019 was as follows:

	Balance October 1, 2018	Additions	Deductions	Balance September 30, 2019
Equipment and Vehicles	102,416	\$ 5,276	\$ (32,153)	\$ 75,539
Accumulated Depreciation	(92,034)	(4,448)	32,107	(64,374)
Total	\$ 10,382	\$ 828	\$ (46)	\$ 11,165

**NOTE 5 ECONOMIC DEPENDENCY**

The Cooperative receives 99% of its revenues from grants provided by the Florida Department of State, Division of Library and Information Services. The Cooperative's continued existence is economically dependent on this funding.

**HEARTLAND LIBRARY COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**NOTE 6 RELATED PARTY TRANSACTIONS**

Transactions with related parties for the fiscal year ended September 30, 2019 were as follows:

Personnel performing services for the Cooperative are employed by either the Highlands County Board of County Commissioners (Highlands County) or the Okeechobee County Board of County Commissioners (Okeechobee County). The Cooperative reimburses Highlands County and Okeechobee County for all personnel related expenditures including wages, employer payroll taxes, retirement contributions to the Florida Retirement System, health insurance, and workers' compensation. The Cooperative also reimburses Highlands County and Okeechobee County for certain operating expenditures. Total personnel related and operating reimbursements paid to Highlands County were \$96,200 and Okeechobee County were \$32,496, respectively, for the fiscal year ended September 30, 2019. Amounts due to Highlands County were \$57 and Okeechobee County were \$6,769 at September 30, 2019. Amounts due from Highlands County at September 30, 2019 were \$5,561.

**NOTE 7 RISK MANAGEMENT**

The Cooperative 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. There has been no significant reduction in the insurance coverage from the prior year. Insurance for the Cooperative relating to property, general liability, workers' compensation, health, and life is included in the policies maintained by Okeechobee County and Highlands County.

There were no settled claims that have exceeded insurance coverage for each of the past three years.



**INDEPENDENT AUDITORS' 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 Directors  
Heartland Library Cooperative  
Sebring, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the Heartland Library Cooperative (the Cooperative), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements, and have issued our report thereon dated January 16, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Cooperative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Cooperative's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Sebring, Florida  
January 16, 2020



## MANAGEMENT LETTER

Board of Directors  
Heartland Library Cooperative  
Sebring, Florida

### Report on the Financial Statements

We have audited the financial statements of the Heartland Library Cooperative (the Cooperative), as of and for the fiscal year ended September 30, 2019 and have issued our report thereon dated January 16, 2020.

### Auditors' Responsibility

We conducted our audit 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 Chapter 10.550, Rules of the Auditor General.

### Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated January 16, 2020, should be considered in conjunction with this management letter.

### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. There were no recommendations made in the preceding financial audit report.

### Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Information regarding the specific legal authority for the entity is contained in Note 1 to the financial statements.

**Financial Condition and Management**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the Cooperative has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Cooperative did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Cooperative. It is management’s responsibility to monitor the Cooperative’s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

**Special District Component Units**

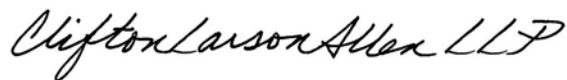
Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. The Cooperative does not include any special district component units.

**Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

**Purpose of This Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the Cooperative board of directors and applicable management and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Sebring, Florida  
January 16, 2020





## INDEPENDENT ACCOUNTANTS' REPORT

Board of Directors of the Heartland Library Cooperative and  
the Florida Auditor General  
Sebring, Florida

We have examined the Heartland Library Cooperative's (the Cooperative) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds, during the year ended September 30, 2019. Management of the Cooperative is responsible for the Cooperative's compliance with the specified requirements. Our responsibility is to express an opinion on the Cooperative's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Cooperative complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Cooperative complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Cooperative's compliance with specified requirements.

In our opinion, the Cooperative complied, in all material respects, with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2019.

This report is intended solely for the information and use of the Cooperative and the Auditor General, state of Florida and is not intended to be, and should not be, used by anyone other than these specified parties.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Sebring, Florida  
January 16, 2020