

**PINNACLE LIBRARY COOPERATIVE
JOLIET, ILLINOIS**

ANNUAL FINANCIAL REPORT

**For the Year Ended
June 30, 2012**

**PINNACLE LIBRARY COOPERATIVE
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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
Pinnacle Library Cooperative

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate fund information of the Pinnacle Library Cooperative, as of and for the year ended June 30, 2012, which collectively comprise the Cooperative's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Pinnacle Library Cooperative's management. 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the respective financial position of the government activities, each major fund, and the aggregate remaining fund information of the Pinnacle Library Cooperative, as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in 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 these basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cooperative's financial statements. The combining and individual fund financial statements and schedules in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Pinnacle Library Cooperative. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

BRIAN ZABEL & ASSOCIATES, P.C.
Certified Public Accountants

Morris, Illinois
September 20, 2013

PINNACLE LIBRARY COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

As management of the Pinnacle Library Cooperative (Cooperative), we offer readers of the Cooperative's statements this narrative overview and analysis of the financial activities of the Cooperative for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information found in the notes to financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Cooperative exceeded its liabilities at June 30, 2012 by \$47,925 (net assets). Of this amount, \$47,925 (unrestricted net assets) may be used to meet the Cooperative's ongoing obligations to citizens and creditors.
- The Cooperative's total net assets increased by \$47,925.
- At June 30, 2012, the Cooperative's governmental funds reported combined ending fund balances of \$47,925.
- Governmental funds reported a combined total of \$97,719 in revenues and \$49,794 in expenditures. Revenues of the Fees for Service and Materials, the Cooperative's primary source of revenues, were \$97,719.

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL REPORT

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

This Management's Discussion and Analysis is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

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 private-sector business.

The Statement of Net Assets includes all of the Cooperative's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

The Statement of Activities presents information showing how the Cooperative's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements show functions of the Cooperative that are principally supported by taxes, fees, and other revenues (governmental activities). The Cooperative does not conduct functions intended to recover all or a significant portion of their costs through user fees and charges

PINNACLE LIBRARY COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012

(business-type activities). The governmental activities of the Cooperative include providing general Cooperative services and general governmental administrative services.

The governmental-wide financial statements can be found on pages 3 and 4 of this report.

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 can be allocated into two categories: governmental funds and fiduciary funds.

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 Cooperative'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 maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. The General Fund is considered to be a major fund.

The Cooperative adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget. The budget was not amended during Fiscal Year 2012.

The basic governmental fund financial statements can be found on pages 5 through 7 of this report.

Notes to Financial Statements - The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements.

The notes to financial statements can be found on pages 8 through 14 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Cooperative's progress in meeting its obligation to provide library services to all of its residents.

The budgetary comparison statement and related notes can be found on pages 15-16 of this report.

**PINNACLE LIBRARY COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Cooperative, assets exceeded liabilities by \$47,925 at June 30, 2012.

All of the Cooperative's net assets are currently unrestricted.

Pinnacle Library Cooperative's Net Assets at Year End

	Governmental Activites FY 2013
Current and Other Assets	\$ 47,925
Total Assets	\$ 47,925
Current Liabilities	\$ -
Total Liabilities	\$ -
Net Assets	
Invested in Capital Assets, Net of Related Debt	\$ -
Restricted	-
Unrestricted	47,925
Total Net Assets	\$ 47,925

The unrestricted net assets (\$47,925) may be used to meet the Cooperative's ongoing obligations to citizens and creditors.

At June 30, 2012, the Cooperative is able to report positive balances in all three categories of net assets.

The Cooperative's net assets increased by \$47,925 during the year ended June 30, 2012.

Governmental Activities - Governmental activities increased the Cooperative's net assets by \$47,925. The key elements of this increase are as follows:

Pinnacle Library Cooperative's Change in Net Assets

	Governmental Activites FY 2013
Revenues	
Program Revenues	
Charges for Services	\$ 97,719
Total Revenues	97,719
Expenses	
Culture and Recreation	49,794
Total Expenses	49,794
Increase in Net Assets	47,925
Net Assets-Beginning	-
Net Assets-Ending	\$ 47,925

**PINNACLE LIBRARY COOPERATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

FINANCIAL ANALYSIS OF THE COOPERATIVE'S FUNDS

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

Governmental Funds- The focus of the Cooperative's 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, unreserved fund balance may serve as a useful measure of the Cooperative's net resources available for spending at the end of the fiscal year.

At June 30, 2012 the Cooperative's governmental funds reported combined ending unreserved fund balances of \$47,925.

The General Fund is the chief operating fund of the Cooperative. At June 30, 2012, unreserved fund balance of the General Fund was \$47,925. The fund balance of the General Fund increased by \$47,925 during the year ended June 30, 2012.

GENERAL FUND BUDGETARY HIGHLIGHTS

Due to the creation and short year of the Cooperative, no budget was established for the year ended June 30, 2013.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - As of June 30, 2012, the Cooperative had no capital assets.

Long-Term Debt – At June 30, 2012, the Cooperative had no debt outstanding.

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 Cooperative's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Board of Trustees, Pinnacle Library Cooperative, 150 N. Ottawa St., Joliet, IL 60432.

**GENERAL PURPOSE EXTERNAL
FINANCIAL STATEMENTS**

PINNACLE LIBRARY COOPERATIVE

STATEMENT OF NET ASSETS

June 30, 2012

ASSETS	
Cash and Investments	\$ 47,925
Accounts Recievable	-
Capital Assets (net of accumulated depreciation)	-
	<hr/>
TOTAL ASSETS	\$ 47,925
	<hr/> <hr/>
LIABILITIES	
Accounts Payable	\$ -
	<hr/>
Total Liabilities	-
	<hr/>
NET ASSETS	
Invested in Capital Assets	-
Restricted	-
Unrestricted	47,925
	<hr/>
Total Net Assets	47,925
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 47,925
	<hr/> <hr/>

See accompanying notes to financial statements.

PINNACLE LIBRARY COOPERATIVE

STATEMENT OF ACTIVITIES

June 30, 2012

	Expenses	Program Revenues		Total
		Charges for Services	Operating and Capital Grants	
FUNCTIONS/PROGRAMS				
Governmental Activities				
Culture and Recreation	\$ 49,794	\$ 97,719	\$ -	\$ 47,925
TOTAL PRIMARY GOVERNMENT	<u>\$ 49,794</u>	<u>\$ 97,719</u>	<u>\$ -</u>	<u>47,925</u>
General Revenues				
Interest Income				-
Miscellaneous Income				-
Total				-
CHANGE IN NET ASSETS				47,925
NET ASSETS, JULY 1				-
NET ASSETS, JUNE 30				<u>\$ 47,925</u>

See accompanying notes to financial statements.

PINNACLE LIBRARY COOPERATIVE

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2012

	Governmental Fund Types	
	General	Total Governmental Funds
ASSETS		
Cash and Investments	\$ 47,925	\$ 47,925
Accounts Receivable	-	-
TOTAL ASSETS	<u>\$ 47,925</u>	<u>\$ 47,925</u>
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts Payable	\$ -	\$ -
Total Liabilities	-	-
FUND BALANCES		
Unassigned Fund Balance	47,925	47,925
Total Fund Balances	47,925	47,925
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 47,925</u>	<u>\$ 47,925</u>

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 47,925
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Amounts reported for governmental activities in the Statement
of Net Assets are different because:

N/A

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 47,925</u>
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See accompanying notes to financial statements.

PINNACLE LIBRARY COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	<u>Governmental Fund Type</u>	
	<u>General</u>	<u>Total Governmental Funds</u>
REVENUES		
Fees for Service and Materials	\$ 97,719	\$ 97,719
Investment income	-	-
Miscellaneous	-	-
	<hr/>	<hr/>
Total Revenues	97,719	97,719
	<hr/>	<hr/>
EXPENDITURES		
Culture and Recreation		
Personnel	-	-
Library Materials	-	-
Public Relations	500	500
Commercial Insurance	673	673
Supplies, Postage, and Printing	110	110
Professional Services	5,033	5,033
Contractual Services	43,300	43,300
Professional Association Membership Dues	78	78
Miscellaneous	100	100
	<hr/>	<hr/>
Total Expenditures	49,794	49,794
	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	47,925	47,925
	<hr/>	<hr/>
FUND BALANCES, JULY 1	-	-
	<hr/>	<hr/>
FUND BALANCES, JUNE 30	\$ 47,925	\$ 47,925
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

PINNACLE LIBRARY COOPERATIVE

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUNDS BALANCES TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2012

NET CHANGE IN FUND BALANCES		
TOTAL GOVERNMENTAL FUNDS	\$	47,925
Amounts reported for governmental activities in the Statement of Activities are different because:		
N/A		<u>-</u>
CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>47,925</u>

See accompanying notes to financial statements.

PINNACLE LIBRARY COOPERATIVE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

1. CREATION OF ENTITY

Prior to creating their current consortium, the six library organizations that comprise the membership of the Pinnacle Library Cooperative (PLC) were members of the Prairie Cat catalog consortium. Prairie Cat's fiscal year runs from July 1st through the following June 30th each year. In accordance with their contractual agreement held with Prairie Cat, in December 2011 each of the PLC libraries gave notice of their intent to withdraw from Prairie Cat, indicating their intent to end their participation in Prairie Cat on June 30, 2012.

Between January and June 2012, while the six Pinnacle libraries were in their final six months of Prairie Cat participation, the PLC Board (comprised of the directors of the six Pinnacle libraries) worked hard to get the Pinnacle Library Cooperative up and running by creating bylaws, committees, procedures, marketing pieces, and a website.

Simultaneously, the PLC Board began the arduous task of purchasing a new integrated library system to replace the Sirsi-Workflows system utilized within Prairie Cat. To this end, the PLC Board hired a consultant, issued an RFP for a new integrated library system, interviewed companies, studied various products, and eventually chose to sign a three year contract on February 16, 2012 with Polaris to provide the new integrated library system. Beyond that, setup, training, migration and implementation of Polaris occurred that spring, with the Polaris "go live" date on June 14, 2012.

In early 2013, the PLC Board recognized that their system support needs had grown to a level requiring the attention of a full time System Administrator. After posting the position and conducting interviews, the first PLC System Administrator (and only PLC employee) was hired to begin work on April 29, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Pinnacle Library Cooperative (the Cooperative) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Cooperative is governed by a Board of Directors (the Board), the rules and regulations for library systems, and the regulations of the State Librarian related to state aid.

PINNACLE LIBRARY COOPERATIVE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounting policies of the Cooperative conform to GAAP as applicable to governmental units. The following is a summary of the more significant policies.

a. Reporting Entity

The accompanying basic financial statements present the Cooperative only since the Cooperative does not have component units. The Cooperative has a separately elected board, the power to self govern, the authorization to expand funds, the responsibility to designate management and the ability to prepare and modify the annual budget and issue debt. There fore, the Cooperative is not included as a component unit of any other entity.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the Cooperative. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by grants and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and standard revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Cooperative reports the following major governmental funds:

The General Fund is the Cooperative's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

PINNACLE LIBRARY COOPERATIVE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. 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, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Operating revenues/expenses include all revenues/expenses directly related to providing enterprise fund services. Incidental revenues/expenses are reported as non-operating.

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 of the current period. The Cooperative considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a fund liability is incurred.

Charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period.

In applying the susceptible to accrual concept to intergovernmental revenues (i.e., federal and state grants), the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the Cooperative; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are generally revocable only for failure to comply with prescribed eligibility requirements, such as equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

PINNACLE LIBRARY COOPERATIVE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Cooperative reports deferred/unearned revenue on its financial statements. Deferred/unearned revenues arise when potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Deferred/unearned revenues also arise when resources are received by the Cooperative before it has a legal claim to them or prior to the provision of services, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Cooperative has a legal claim to the resources, the liability for deferred/unearned revenue is removed from the financial statements and revenue is recognized.

d. Grants

The Cooperative had no grants during fiscal year 2012.

e. Cash and Investments

Cash and Equivalents

The Cooperative considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are stated at fair value.

f. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Cooperative as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

PINNACLE LIBRARY COOPERATIVE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Furniture, fixtures and equipment	5-10

g. Vacation and Sick Leave

In the event of termination, an employee is reimbursed for accumulated vacation days.

Vested or accumulated vacation time that is owed to retirees or terminated employees is reported as an expenditure and a fund liability of the governmental fund that will pay it in the fund financial statements, and the remainder is reported in long-term debt. Vested or accumulated vacation time of governmental activities at the government-wide level is recorded as an expense and liability as the benefits accrue to employees.

h. Interfund Transactions

Interfund service transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund service transactions and reimbursements, are reported as transfers.

Actively between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other fund" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

PINNACLE LIBRARY COOPERATIVE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Fund Equity/Net Assets

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. None of the net assets are restricted as a result of enabling legislation adopted by the Cooperative. Invested in capital assets represents the Cooperative's investment in the book value of capital assets.

3. DEPOSITS AND INVESTMENTS

Permitted Deposits and Investments – Statutes and the Cooperative's investment policy authorize the Cooperative to make deposits/invest in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, insured credit union shares, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreements to repurchase these same obligations, repurchase agreements, short-term commercial paper rated within the three highest classifications by at least two standard rating services and Illinois Funds.

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Fund's share price, which is the price for which the investment could be sold.

a. Deposits

To guard against credit risk for deposits with financial institutions, the Cooperative's investment policy requires that deposits with financial institutions in excess of FDIC be collateralized with collateral in an amount of the uninsured deposits with the collateral held by a third party acting as the agent of the Cooperative.

b. Investments

At June 30, 2012, the Cooperative had no investments, only cash deposited into checking accounts.

PINNACLE LIBRARY COOPERATIVE

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

3. DEPOSITS AND INVESTMENTS (Continued)

GASB 40 – Operating Funds

In accordance with its investment policy, the Cooperative limits its exposure to interest rate risk to provide liquidity for operating funds and maximizing yields for funds not needed within a one-year period. The portfolio that is invested with Illinois Funds, which is completely liquid, is not subject to interest rate risk.

Illinois Funds is “AAA” rated and credit risk is very marginal.

4. CAPITAL ASSETS

The Cooperative had no capital assets as of June 30, 2012.

5. 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; illnesses of employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three fiscal years.

6. LONG-TERM DEBT

The Cooperative had no outstanding debt as of June 30, 2012.

7. INTERFUND ACTIVITY

The cooperative had no due to/due from or transfers as of June 30, 2012.

8. BUDGET

Due to the creation and short year of the Cooperative, no budget was established for the year ended June 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

PINNACLE LIBRARY COOPERATIVE
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2012

	Original and Final Budget	Actual
REVENUES		
Fees for Services and Materials	\$ -	\$ 97,719
Investment income	-	-
Miscellaneous	-	-
Total Revenues	-	97,719
EXPENDITURES		
Culture and Recreation		
Personnel	-	-
Library Materials	-	-
Public Relations	-	500
Commercial Insurance	-	673
Supplies, Postage, and Printing	-	110
Professional Services	-	5,033
Contractual Services	-	43,300
Professional Assoc Dues	-	78
Miscellaneous	-	100
Total Expenditures	-	49,794
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	47,925
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	-	-
NET CHANGE IN FUND BALANCE	-	47,925
FUND BALANCE, JULY 1		-
FUND BALANCE, JUNE 30		\$ 47,925

(See independent auditor's report.)

PINNACLE LIBRARY COOPERATIVE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2012

LEGAL COMPLIANCE AND ACCOUNTABILITY

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted (at the fund level) for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The Cooperative follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Cooperative prepares and submits to the Board a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures/expenses and the means of financing them. Annual budgets are adopted for the General Fund on a basis consistent with GAAP. The legal level of budgetary control is at the fund level.
2. The proposed operating budget is adopted by the Board at a public meeting.
3. Any amendments to the budget must be adopted by the Board at a public meeting.
4. Due to the creation and short year of the Cooperative, no budget was established for the year ended June 30, 2013.