

PLUM CREEK LIBRARY SYSTEM
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2016

Conway, Deuth & Schmiesing, PLLP
Certified Public Accountants
Willmar, Minnesota

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PLUM CREEK LIBRARY SYSTEM

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INDEPENDENT AUDITOR'S REPORT

The Governing Board
Plum Creek Library System
Worthington, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Plum Creek Library System, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Library System'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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Plum Creek Library System, as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Partial Comparative Information

We have previously audited the Library System's 2015 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated October 21, 2015. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedules of Proportionate Share of the Net Pension Liability and Employer Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library System's basic financial statements. The statements listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2016, on our consideration of the Library System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Library System's internal control over financial reporting and compliance.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Willmar, Minnesota

October 19, 2016

REQUIRED SUPPLEMENTARY INFORMATION

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PLUM CREEK LIBRARY SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the basic financial statements of the Plum Creek Library System (the "Library System") presents a discussion and analysis of the Library System's financial performance during the fiscal year ended June 30, 2016. Please read it in conjunction with the Library System's basic financial statements following this section.

Financial Highlights

- Plum Creek Library System's total net position increased by \$8,995 from June 30, 2015.
- General Fund balance increased by \$13,991 from the prior year. The increase was primarily due to an increase in Automation and Delivery Revenues.
- Total governmental revenues increased by \$20,692 in comparison to fiscal year 2015.
- Total governmental expenditures decreased by \$14,744 in comparison to fiscal year 2015.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Library System as a whole and present a longer-term view of the Library System's finances. Fund financial statements are presented after the Statement of Activities. Fund financial statements also report the Library System's operations in more detail than the organization-wide statements by providing information about the Library System's fund. The notes to the basic financial statements provide information that is essential to a full understanding of the data provided in the organization-wide and fund financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Plum Creek Library System as a Whole: Statement of Net Assets and Statement of Activities

Our analysis of the Plum Creek Library System begins with the Statement of Net Position and the Statement of Activities. One of the most important questions asked about the Library System's finances is, "Is the Library System as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities both report information about the Library System as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Library System's net position and changes in them. You can think of the Library System's net position—the difference between assets and liabilities—as one way to measure the Library System's financial health. Over time, increases or decreases in the Library System's net position is one indicator of whether the Library System's financial health is improving or deteriorating.

You will need to consider other nonfinancial factors, however, to assess the overall health of the Plum Creek Library System.

PLUM CREEK LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

Plum Creek Library System's Most Significant Fund: Fund Financial Statements

Our analysis of the Plum Creek Library System's major fund begins with the fund financial statements.

Governmental Funds - The Library System's services are included in this type of fund, which generally focuses on 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the Library System's activities. Because this information does not encompass the additional long-term focus of the organization-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental fund statements that explain the relationship (or differences) between these two types of financial statement presentations.

The governmental fund financial statements can be found on pages 10-14 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the organization-wide and fund financial statements. The notes to the financial statements can be found on pages 15-27 of this report.

Statement of Net Position

The Library System's net position increased from a year ago. Our analysis focuses on the net position of the Library System's governmental activities (Table 1).

| Table 1 Condensed Statement of Net Position | | | |
|--|-------------------------|-------------------|-----------------|
| | Governmental Activities | | Change |
| | 2016 | 2015 | |
| Current and Other Assets | \$ 376,296 | \$ 356,274 | \$ 20,022 |
| Net Capital Assets | 86,766 | 95,538 | (8,772) |
| Deferred Outflows of Resources Related to Pensions | 44,719 | 49,412 | (4,693) |
| Total Assets and Deferred Outflows of Resources | <u>\$ 507,781</u> | <u>\$ 501,224</u> | <u>\$ 6,557</u> |
| Current Liabilities | \$ 222,508 | \$ 216,477 | \$ 6,031 |
| Noncurrent Liabilities | 288,008 | 278,058 | 9,950 |
| Total Liabilities | <u>510,516</u> | <u>494,535</u> | 15,981 |
| Deferred Inflows of Resources Related to Pensions | 47,583 | 66,002 | (18,419) |
| Net Position | | | |
| Net Investment in Capital Assets | 86,766 | 95,538 | (8,772) |
| Restricted E-Rate | 31,773 | 36,249 | (4,476) |
| Unrestricted | (168,857) | (191,100) | 22,243 |
| Total Net Position | <u>(50,318)</u> | <u>(59,313)</u> | 8,995 |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 507,781</u> | <u>\$ 501,224</u> | <u>\$ 6,557</u> |

PLUM CREEK LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities

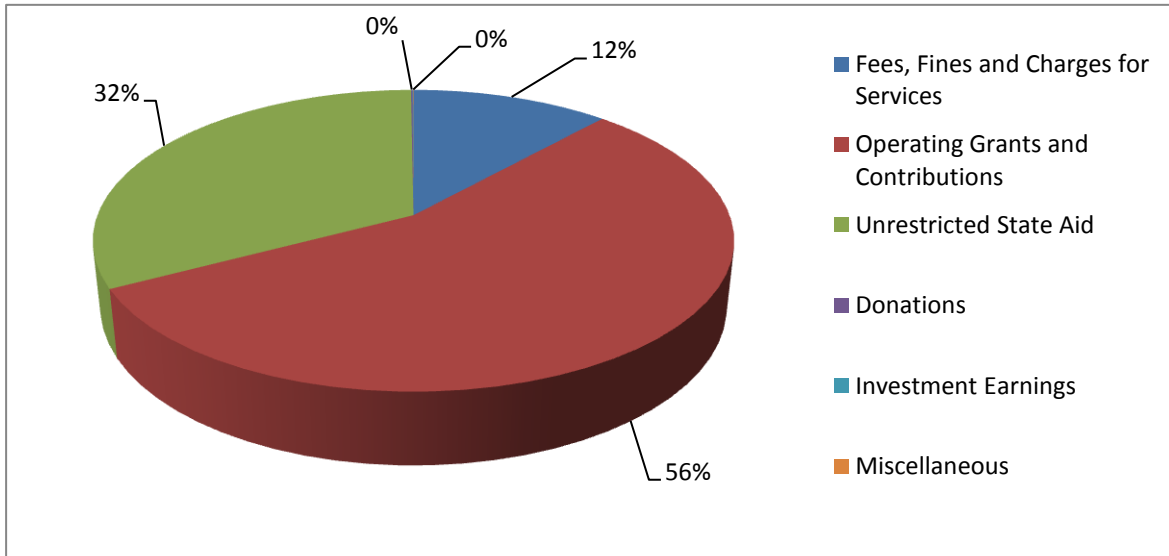
Net position of the Library System's governmental activities increased by \$8,995 as a result of current year operations. Table 2 presents the key elements of the increase.

| | Governmental Activities | | Change |
|--|-------------------------|--------------------|-----------------|
| | 2016 | 2015 | |
| REVENUES | | | |
| Program Revenues | | | |
| Fees, Fines and Charges for Services | \$ 126,143 | \$ 140,375 | \$ (14,232) |
| Operating Grants and Contributions | 598,002 | 546,467 | 51,535 |
| General Revenues | | | |
| Unrestricted State Aid | 350,107 | 351,376 | (1,269) |
| Donations | 1,006 | 5,034 | (4,028) |
| Investment Earnings | 331 | 291 | 40 |
| Miscellaneous | 259 | 11,613 | (11,354) |
| Total Revenues | <u>1,075,848</u> | <u>1,055,156</u> | 20,692 |
| EXPENSES | | | |
| Administration | 252,493 | 287,248 | (34,755) |
| Programs | | | |
| Cataloging and Inter Library Loan | 119,462 | 119,066 | 396 |
| Delivery System | 58,799 | 61,102 | (2,303) |
| Automation | 158,832 | 160,816 | (1,984) |
| Outreach | 58,418 | 57,241 | 1,177 |
| Services | 304,203 | 302,706 | 1,497 |
| Regional Legacy | 87,325 | 37,964 | 49,361 |
| Multi-Regional Legacy | 19,323 | 13,756 | 5,567 |
| State Legacy | 7,998 | 14,019 | (6,021) |
| LSTA - School | | 30,182 | (30,182) |
| SAMMIE | | 8,241 | (8,241) |
| Zinio Contract | | 11,624 | (11,624) |
| Total Expenses | <u>1,066,853</u> | <u>1,103,965</u> | (37,112) |
| Change in Net Position | 8,995 | (48,809) | 57,804 |
| NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED | (59,313) | 252,948 | (312,261) |
| PRIOR PERIOD ADJUSTMENT | | (263,452) | 263,452 |
| NET POSITION, BEGINNING OF YEAR, AS RESTATED | <u>(59,313)</u> | <u>(10,504)</u> | (48,809) |
| NET POSITION, END OF YEAR | <u>\$ (50,318)</u> | <u>\$ (59,313)</u> | <u>\$ 8,995</u> |

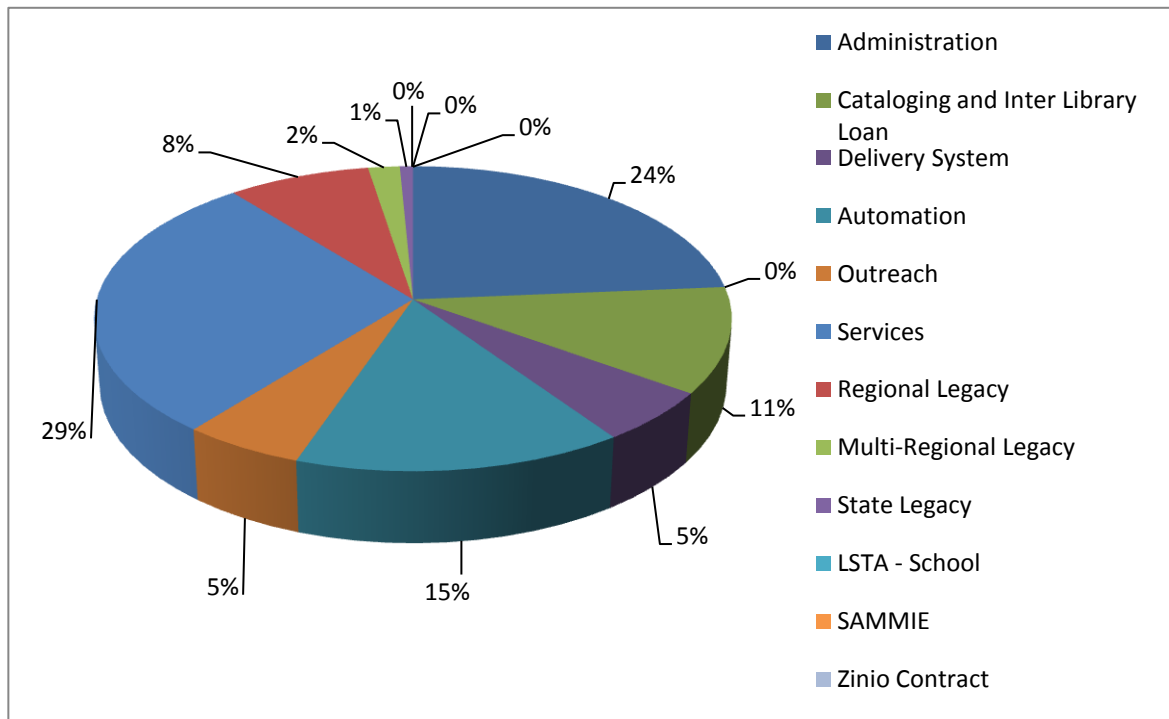
PLUM CREEK LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities (Cont'd)

Revenues - The following chart visually illustrates Library System's revenue by source.



Expenditures - The following chart visually illustrate the Library System's expenditures by source.



Financial Analysis of the General Fund Activity

General Fund - The increase in the Library System's General Fund Balance was \$13,991 for 2016. The increase is from more revenues than budgeted.

PLUM CREEK LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

Over the course of the year, the Library System did revise the budget. The General Fund final budget included revenues over expenditures by \$8,532. Actual revenues were \$13,991 over expenditures. Actual revenues were less than final budgeted amounts and actual expenditures were more than final budgeted amounts.

Capital Assets

At the end of 2016, the Library System had \$284,346 invested in a broad range of capital assets. Refer to Note 5 of the Notes to the Financial Statements for a schedule showing the Library System's capital asset activity.

Long-Term Debt

At year-end, the Library System had \$34,064 in compensated absences payable. Total pension benefits payable totaled \$253,944 at June 30, 2016. The Library System had no bonds or notes outstanding. Refer to Note 6 of the Notes to the Financial Statements for a schedule showing the Library System's long-term debt activity.

Economic Factors and Next Year's Budget

The Library System is dependent on the State of Minnesota for the vast majority of its funding. The continuation of this funding is dependent on the actions taken by the Minnesota legislature in the future.

Contacting the Plum Creek Library System's Management

This financial report is designed to provide a general overview of Plum Creek Library System's finances and to demonstrate the Library System's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Plum Creek Library System at 290 S. Lake Street, PO Box 697, Worthington, Minnesota 56187.

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BASIC FINANCIAL STATEMENTS

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PLUM CREEK LIBRARY SYSTEM

STATEMENT OF NET POSITION

JUNE 30, 2016

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2015

| | Governmental Activities | |
|---|-------------------------|-------------------|
| | 2016 | 2015 |
| ASSETS | | |
| Cash on Hand | \$ 50 | \$ 50 |
| Cash in Bank | 286,289 | 266,753 |
| Accounts Receivable | | |
| Libraries and Counties, Outreach and Other Charges | 20,059 | 20,724 |
| Due From Other Governments | 34,938 | 35,065 |
| Prepaid Items | 34,960 | 33,682 |
| Capital Assets, Net of Accumulated Deprecation | 86,766 | 95,538 |
| Total Assets | <u>463,062</u> | <u>451,812</u> |
| Deferred Outflows of Resources | | |
| Related to Pensions | 44,719 | 49,412 |
| Total Assets and Deferred Outflows of Resources | <u>\$ 507,781</u> | <u>\$ 501,224</u> |
| LIABILITIES AND NET POSITION | | |
| Liabilities | | |
| Current Liabilities | | |
| Accounts Payable | \$ 15,368 | \$ 3,736 |
| Accrued Wages | 7,253 | 2,734 |
| Unearned Revenue | 199,887 | 210,007 |
| Noncurrent Liabilities | | |
| Due in More than One Year | 288,008 | 278,058 |
| Total Liabilities | <u>510,516</u> | <u>494,535</u> |
| Deferred Inflows of Resources | | |
| Related to Pensions | 47,583 | 66,002 |
| Net Position | | |
| Net Investment in Capital Assets | 86,766 | 95,538 |
| Restricted E-Rate | 31,773 | 36,249 |
| Unrestricted | (168,857) | (191,100) |
| Total Net Position | <u>(50,318)</u> | <u>(59,313)</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 507,781</u> | <u>\$ 501,224</u> |

See Accompanying Notes to the Financial Statements

PLUM CREEK LIBRARY SYSTEM

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

| | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|---|---------------------|---|--|--|--|--------------------|
| | | Fees, Fines, and Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Totals | |
| | | | | | 2016 | 2015 |
| GOVERNMENTAL ACTIVITIES | | | | | | |
| Administration | \$ 252,493 | \$ 13,120 | \$ | \$ | \$ (239,373) | \$ (275,937) |
| Programs | | | | | | |
| Cataloging and Inter Library Loan | 119,462 | | | | (119,462) | (119,066) |
| Delivery System | 58,799 | | | | (58,799) | (61,102) |
| Automation | 158,832 | | 198,714 | | 39,882 | 2,960 |
| Grants | | | | | | 47,810 |
| Outreach | 58,418 | 62,540 | | | 4,122 | 4,345 |
| Services | 304,203 | 50,483 | 293,010 | | 39,290 | 30,576 |
| Regional Legacy | 87,325 | | 87,830 | | 505 | 12 |
| Multi-Regional Legacy | 19,323 | | 10,450 | | (8,873) | (7,009) |
| State Legacy | 7,998 | | 7,998 | | | |
| LSTA - School | | | | | | (30,182) |
| SAMMIE | | | | | | (8,241) |
| Zinio Contract | | | | | | (1,289) |
| Total Governmental Activities | \$ 1,066,853 | \$ 126,143 | \$ 598,002 | \$ 0 | (342,708) | (417,123) |
| GENERAL REVENUES | | | | | | |
| State Aid Not Restricted to Specific Purposes | | | | | 350,107 | 351,376 |
| Donations | | | | | 1,006 | 5,034 |
| Investment Earnings | | | | | 331 | 291 |
| Miscellaneous | | | | | 259 | 11,613 |
| Total General Revenues | | | | | <u>351,703</u> | <u>368,314</u> |
| Change in Net Position | | | | | 8,995 | (48,809) |
| NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED | | | | | (59,313) | 252,948 |
| PRIOR PERIOD ADJUSTMENT | | | | | | (263,452) |
| NET POSITION, BEGINNING OF YEAR, AS RESTATED | | | | | <u>(59,313)</u> | <u>(10,504)</u> |
| NET POSITION, END OF YEAR | | | | | <u>\$ (50,318)</u> | <u>\$ (59,313)</u> |

See Accompanying Notes to the Financial Statements

PLUM CREEK LIBRARY SYSTEM

BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2016

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2015

| | General | |
|--|--------------------------|--------------------------|
| | <u>2016</u> | <u>2015</u> |
| ASSETS | | |
| Cash on Hand | \$ 50 | \$ 50 |
| Cash in Bank | 286,289 | 266,753 |
| Accounts Receivable | | |
| Libraries and Counties, Outreach and Other Charges | 20,059 | 20,724 |
| Due From Other Governments | 34,938 | 35,065 |
| Prepaid Items | <u>34,960</u> | <u>33,682</u> |
| Total Assets | <u><u>\$ 376,296</u></u> | <u><u>\$ 356,274</u></u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities | | |
| Accounts Payable | \$ 15,368 | \$ 3,736 |
| Accrued Wages | 7,253 | 2,734 |
| Unearned Revenue | <u>199,887</u> | <u>210,007</u> |
| Total Liabilities | 222,508 | 216,477 |
| Fund Balance | | |
| Nonspendable | 34,960 | 33,682 |
| Restricted E-Rate | 31,773 | 36,249 |
| Unassigned | <u>87,055</u> | <u>69,866</u> |
| Total Fund Balance | <u>153,788</u> | <u>139,797</u> |
| Total Liabilities and Fund Balance | <u><u>\$ 376,296</u></u> | <u><u>\$ 356,274</u></u> |

PLUM CREEK LIBRARY SYSTEM

RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2015

| | <u>2016</u> | <u>2015</u> |
|---|--------------------|--------------------|
| Total Fund Balances - Governmental Fund | \$ 153,788 | \$ 139,797 |
| <p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p> | | |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.</p> | | |
| Capital Assets | 284,346 | 281,475 |
| Less: Accumulated Depreciation | (197,580) | (185,937) |
| <p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p> | | |
| Deferred Outflows of Resources Related to Pensions | 44,719 | 49,412 |
| Deferred Inflows of Resources Related to Pensions | (47,583) | (66,002) |
| <p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the fund.</p> | | |
| Pension Benefits Payable | (253,944) | (244,270) |
| Compensated Absences | (34,064) | (33,788) |
| | <u> </u> | <u> </u> |
| Total Net Position - Governmental Activities | <u>\$ (50,318)</u> | <u>\$ (59,313)</u> |

PLUM CREEK LIBRARY SYSTEM

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND
 YEAR ENDED JUNE 30, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

| | General | |
|-----------------------------------|-------------------|-------------------|
| | 2016 | 2015 |
| REVENUES | | |
| Intergovernmental | \$ 542,369 | \$ 495,319 |
| Other Grants | | 47,810 |
| Charges for Services | 82,856 | 88,302 |
| Invoiced to Counties | 252,115 | 244,570 |
| Automation | 112,730 | 78,575 |
| Delivery | 40,895 | 31,569 |
| Miscellaneous | 44,883 | 69,011 |
| Total Revenues | <u>1,075,848</u> | <u>1,055,156</u> |
| EXPENDITURES | | |
| Current | | |
| Administration | 243,372 | 257,036 |
| Programs | | |
| Cataloging and Inter Library Loan | 120,419 | 119,771 |
| Delivery System | 59,144 | 60,755 |
| Automation | 158,535 | 160,450 |
| Outreach | 58,488 | 57,186 |
| Services | 304,203 | 302,706 |
| Regional Legacy | 87,437 | 37,977 |
| Multi-Regional Legacy | 19,390 | 13,764 |
| Statewide Legacy | 7,998 | 14,019 |
| LSTA - School | | 30,182 |
| SAMMIE | | 8,241 |
| Zinio Contract | | 11,624 |
| Total Program Expenditures | <u>815,614</u> | <u>816,675</u> |
| Capital Outlay | | |
| Administration | 2,067 | 1,567 |
| Programs | | |
| Cataloging and Inter Library Loan | | 586 |
| Automation | 804 | 737 |
| Total Capital Outlay | <u>2,871</u> | <u>2,890</u> |
| Total Expenditures | <u>1,061,857</u> | <u>1,076,601</u> |
| Net Change in Fund Balance | 13,991 | (21,445) |
| FUND BALANCE, BEGINNING OF YEAR | <u>139,797</u> | <u>161,242</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 153,788</u> | <u>\$ 139,797</u> |

See Accompanying Notes to the Financial Statements

PLUM CREEK LIBRARY SYSTEM

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

| | <u>2016</u> | <u>2015</u> |
|---|-----------------|--------------------|
| Total Net Change in Fund Balance - Governmental Fund | \$ 13,991 | \$ (21,445) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Capital outlays are reported in the governmental fund as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. | | |
| Capital Outlays | 2,871 | 7,266 |
| Depreciation Expense | (11,643) | (18,674) |
| Disposal of Capital Assets | | (93,617) |
| Accumulated Depreciation Related to Disposed Capital Assets | | 72,497 |
| In the Statement of Activities, certain operating expenses - pension and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). | | |
| | <u>3,776</u> | <u>5,164</u> |
| Change in Net Position - Governmental Activities | <u>\$ 8,995</u> | <u>\$ (48,809)</u> |

See Accompanying Notes to the Financial Statements

PLUM CREEK LIBRARY SYSTEM

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2016

| | Budgeted Amounts | | Actual | Over (Under) Final Budget |
|-----------------------------------|-------------------|------------------|-------------------|------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 563,247 | \$ 520,626 | \$ 542,369 | \$ 21,743 |
| Charges for Services | 95,492 | 82,540 | 82,856 | 316 |
| Invoiced to Counties | 252,000 | 250,107 | 252,115 | 2,008 |
| Automation | 112,730 | 112,730 | 112,730 | |
| Delivery | 40,885 | 40,885 | 40,895 | 10 |
| Miscellaneous | 44,950 | 54,431 | 44,883 | (9,548) |
| Total Revenues | <u>1,109,304</u> | <u>1,061,319</u> | <u>1,075,848</u> | <u>14,529</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Administration | 247,731 | 246,532 | 243,372 | (3,160) |
| Programs | | | | |
| Cataloging and Inter Library Loan | 124,034 | 120,622 | 120,419 | (203) |
| Delivery System | 63,411 | 59,196 | 59,144 | (52) |
| Automation | 174,018 | 158,882 | 158,535 | (347) |
| Outreach | 65,880 | 69,563 | 58,488 | (11,075) |
| Services | 308,980 | 297,087 | 304,203 | 7,116 |
| Regional Legacy | 102,644 | 68,634 | 87,437 | 18,803 |
| Multi-Regional Legacy | 8,656 | 14,253 | 19,390 | 5,137 |
| Statewide Legacy | 12,000 | 7,998 | 7,998 | |
| Zinio Contract | 10,020 | 10,020 | | (10,020) |
| Total Programs | <u>869,643</u> | <u>806,255</u> | <u>815,614</u> | <u>9,359</u> |
| Capital Outlay | | | | |
| Administration | | | 2,067 | 2,067 |
| Programs | | | | |
| Automation | | | 804 | 804 |
| Total Capital Outlay | <u>0</u> | <u>0</u> | <u>2,871</u> | <u>2,871</u> |
| Total Expenditures | <u>1,117,374</u> | <u>1,052,787</u> | <u>1,061,857</u> | <u>9,070</u> |
| Net Change in Fund Balance | <u>\$ (8,070)</u> | <u>\$ 8,532</u> | 13,991 | <u>\$ 5,459</u> |
| FUND BALANCE, BEGINNING OF YEAR | | | <u>139,797</u> | |
| FUND BALANCE, END OF YEAR | | | <u>\$ 153,788</u> | |

See Accompanying Notes to the Financial Statements

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PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The Library System was created as a public library service on May 28, 1974, by the act of contracting with various public libraries in its region to provide them with expanded library services, with the additional purpose of furthering the public interest by providing the potential for extending public library services into areas without such services; it is essentially a federation of public libraries.

The financial statements present the Library System and its component units. The Library System includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate organizations for which the Library System is financially accountable, or for which the exclusion of the component unit would render the financial statements of the Library System misleading.

The criteria used to determine if the Library System is financially accountable for a component unit includes whether or not 1) the Library System appoints the voting majority of the potential component unit's governing body and is able to impose its will on the potential component unit or is in a relationship of financial benefit or burden with the potential component unit, or 2) the potential component unit is fiscally dependent on and there is a potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on, the Library System.

As a result of applying the component unit definition criteria above, it has been determined the Library System has no component units.

B. ORGANIZATION-WIDE AND FUND FINANCIAL STATEMENTS

The organization-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting organization as a whole. These statements include all the financial activities of the Library System.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues are presented as general revenues.

PLUM CREEK LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The organization-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 related cash flows. State aids and similar items are recognized as revenues 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 of the current period. For this purpose, the Library System considers all revenues to be available if they are collected within 60 days after the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The Library System does not use encumbrances for either budgeting or financial reporting purposes.

All major revenues are susceptible to accrual. Federal revenues are recorded in the year in which the related expenditure is made. If the amount of federal revenues cannot be reasonably estimated or realization is not assured, they are not recorded as revenue in the current year.

It is generally the Library System's policy to use restricted resources first, then unrestricted resources as they are needed when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Description of Funds:

The Plum Creek Library System reports the following Fund:

The General Fund is the general operating fund of the Library System. It is used to account for all financial resources of the Library System. The General Fund is the Library System's only fund.

D. BUDGETS AND BUDGETARY ACCOUNTING

The budgeted amounts included in the Statement of Revenues, Expenditures and Changes in Fund Balances were accounted for and presented on the same basis and using the same accounting practices as are used to account and prepare financial reports for the fund. Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The budgets are prepared by the Library System's personnel and approved by the Board. Encumbrances are not considered in the budget process or in the regular Library System's accounting.

Once a budget is approved, it can be amended by personnel with approval by the Board. Amendments are made before the fact, are reflected in the official minutes of the Library System, and are not made after fiscal year-end as dictated by law. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year-end.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND EQUITY

Cash:

The Library System's cash is considered to be cash on hand and cash deposits.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of bank failure, the Library System's deposits may not be returned to it.

Minnesota Statutes require that all deposits be protected by insurance, security bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a financial institution other than that furnishing the collateral. The Library System does not have a policy for custodial credit risk. As of June 30, 2016, none of the Library System's bank balances were exposed to custodial credit risk.

Accounts Receivable:

Accounts receivable represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the Library System. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectable accounts is deemed necessary.

Prepaid Items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

Capital Assets:

Tangible and intangible capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Library System maintains a threshold level of \$500 for capitalizing tangible and intangible capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Tangible and intangible capital assets are recorded in the organization-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

The Library System does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

The Library System does not possess any material amounts of intangible capital assets.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND EQUITY (Cont'd)

Deferred Outflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future reporting period. During that future period, it will be recognized as an outflow of resources (expense/expenditure). The Library System has one item that qualifies for reporting in this category on the government-wide Statement of Net Position which is related to pensions.

Long-Term Obligations:

In the organization-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred costs and amortized over the term of related debt. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums or discounts received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences:

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the organization-wide financial statements. The organization-wide Statement of Net Position reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of an amount based on expected or known retirements coming in the next fiscal year. The noncurrent portion consists of the remaining amount of vacation and total vested sick leave.

Sick Pay:

Full-time employees earn 12 sick days per year, which may be accrued up to a total of 120 days. Part-time employees earn a pro-rated accrual of sick leave cumulative to 12 days. An employee who resigns in good standing after five years of employment is entitled to 25% of each employee's unused sick leave.

Vacation Pay:

Full-time hourly employees earn 12 leave days per year. Additionally, after the first year of employment, these employees earn and are credited monthly with an additional half-day of leave for each year of consecutive service to the Library System. There is a provision for the accrual of 240 hours of annual leave from one calendar year to the next. Therefore, a liability is recognized for unused vacation. An employee who resigns in good standing after six months of employment is entitled to 100% of their unused vacation leave.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND EQUITY (Cont'd)

Other Postemployment Benefits:

The Library System pays health care premiums for employees based on their age and level of coverage. Since the insurance rate is based on age, the Library System does not have an implicit rate subsidy factor in postemployment health care expenses. Additionally, Minnesota Statutes require the Library System to allow retired employees to stay on the health care plan with the retiree responsible to pay the entire premium for continuation coverage. The Library System's personnel policy does not provide for any contributions upon employee retirement.

Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Unearned Revenue:

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and certain other payments received before eligibility requirements are met are also recorded as unearned revenue.

Deferred Inflows of Resources:

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period. During that future period, it will be recognized as an inflow of resources (revenue). The Library System has items that qualify for reporting in this category on both the government-wide Statement of Net Position and the governmental fund financial statements related to pensions.

Fund Balance:

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the Library System is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:

Nonspendable - consists of amounts that cannot be spent because it is not in spendable form, such as prepaid items.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND EQUITY (Cont'd)

Fund Balance (Cont'd):

Assigned - consists of amounts intended to be used by the Library System for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to Library System Board Resolution, the Library System's Director and/or Library System's Fiscal Administrator is authorized to establish assignments of fund balance.

Unassigned - is the residual classification for the General Fund.

The Library System requires restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the Library System would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Library System will reduce committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position:

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the organization-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the organization-wide financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position consists of all other net position that does not meet the definition of restricted or net investment in capital assets.

F. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

G. PRIOR YEAR INFORMATION

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2015, from which the partial information was derived.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. EXPENDITURES EXCEEDING APPROPRIATIONS

The following fund has expenditures that exceeded appropriations.

| | <u>Expenditure</u> | <u>Appropriations</u> |
|--------------|--------------------|-----------------------|
| General Fund | \$ 1,061,857 | \$ 1,052,787 |

NOTE 3. DEPOSITS

Cash on hand and cash deposits is as follows:

| | <u>Book Balance</u> |
|-------------------------|-------------------------|
| Governmental Activities | |
| Cash on Hand | \$ 50 |
| Cash in Bank | <u>286,289</u> |
| Total | <u>\$ 286,339</u> |

The Library System's deposits were sufficiently covered by insurance through the FDIC as well as collateralized with securities held by the pledging financial institution's trust department or agent in the Library System's name.

NOTE 4. RECEIVABLES

Receivables are as follows:

| | |
|---|------------------|
| Libraries and Counties, Outreach and Other Charges | |
| Libraries and Counties | \$ 6,996 |
| E-Rate | <u>13,728</u> |
| Total | <u>\$ 20,724</u> |
| Due From Other Governments | |
| State of Minnesota - Basic System Support | <u>\$ 35,065</u> |

The Library System considers all amounts to be scheduled for collection in the subsequent year.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended was as follows:

| <u>Governmental Activities</u> | <u>Beginning Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending Balance</u> |
|---|--------------------------|-------------------|-----------------|-----------------------|
| Capital Assets, Being Depreciated | | | | |
| Buildings | \$ 115,288 | \$ | \$ | \$ 115,288 |
| Vehicles | 46,148 | | | 46,148 |
| Library Equipment | 33,597 | 785 | | 34,382 |
| Office Equipment and Furniture | 86,442 | 2,086 | | 88,528 |
| Total Capital Assets, Being Depreciated | 281,475 | 2,871 | 0 | 284,346 |
| Less Accumulated Depreciation for | | | | |
| Buildings | 49,405 | 2,901 | | 52,306 |
| Vehicles | 46,146 | | | 46,146 |
| Library Equipment | 23,009 | 5,991 | | 29,000 |
| Office Equipment & Furniture | 67,377 | 2,751 | | 70,128 |
| Total Accumulated Depreciation | 185,937 | 11,643 | 0 | 197,580 |
| Total Capital Assets, Being Depreciated, Net | 95,538 | (8,772) | 0 | 86,766 |
| Governmental Activities Net Capital Assets | <u>\$ 95,538</u> | <u>\$ (8,772)</u> | <u>\$ 0</u> | <u>\$ 86,766</u> |

Depreciation expense was charged to functions/programs as follows:

| | |
|-------------------------|------------------|
| Governmental Activities | |
| Administration | \$ 11,259 |
| Programs | |
| Outreach | 384 |
| Total | <u>\$ 11,643</u> |

NOTE 6. LONG TERM DEBT

A summary of changes in long-term debt is:

| <u>Governmental Activities</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--------------------------------|--------------------------|-------------------|---------------------|-----------------------|----------------------------|
| Compensated Absences | \$ 33,788 | \$ 36,188 | \$ (35,912) | \$ 34,064 | \$ |
| Net Pension Liability | 244,270 | 191,343 | (181,669) | 253,944 | |
| | <u>\$ 278,058</u> | <u>\$ 227,531</u> | <u>\$ (217,581)</u> | <u>\$ 288,008</u> | <u>\$ 0</u> |

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7. UNEARNED REVENUE

Schedule of the Unearned Revenue is:

| | |
|--------------|-------------------|
| Legacy Funds | \$ 181,382 |
| Outreach | 6,834 |
| E-Books | <u>11,671</u> |
| Total | <u>\$ 199,887</u> |

NOTE 8. DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. PLAN DESCRIPTION

The Library System participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plan is established and administered in accordance with Minnesota Statutes. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

All full-time and certain part-time employees of the Library System are covered by GERF. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

B. BENEFITS PROVIDED

PERA provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

Benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

C. CONTRIBUTIONS

Minnesota Statutes sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5% of pay, respectively, in fiscal year 2016. In fiscal year 2016, the Library System was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members. The Library Systems's contributions to the GERP for the plan's fiscal year ended June 30, 2016, were \$26,549. The Library systems's contributions were equal to the required contributions for each year as set by state statute.

D. PENSION COSTS

At June 30, 2016, the Library System reported a liability of \$253,944 for its proportionate share of the GERP's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library System's proportion of the net pension liability was based on the Library System's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the Library System's proportion was 0.0049%, which was equal to 0.0052% from its proportion measured as of June 30, 2014.

GERF benefit provision changes during the measurement period included (1) the merger of the former Minneapolis Employees Retirement Fund division into GERP, effective January 1, 2015, and (2) revisions to *Minnesota Statutes* to make changes to contribution rates less prescriptive and more flexible.

The discount rate used to calculate liabilities for the June 30, 2015 measurement date was 7.9%. The Legislature has since set the discount rate in statute at 8%. Beginning with the June 30, 2016 measurement date, the discount rate used when calculating liabilities based on GASB 68 accounting requirements will be increased to 8% to be consistent with the rate set in statute used for funding purposes.

For the year ended June 30, 2016, the Library System recognized pension expense of \$30,327 for its proportionate share of GERP's pension expense.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

At June 30, 2016, the Library System reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual economic experience | \$ 2,355 | \$ 12,803 |
| Changes in actuarial assumptions | 15,815 | |
| Differences between projected and actual investment earnings | | 22,606 |
| Changes in proportion | | 12,174 |
| Contributions paid to PERA subsequent to measurement date | <u>26,549</u> | |
| Total | <u>\$ 44,719</u> | <u>\$ 47,583</u> |

\$26,549 reported as deferred outflows of resources related to pensions resulting from Library System contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

| <u>Year ended June 30,</u> | <u>Pension Expense Amount</u> |
|----------------------------|-------------------------------|
| 2017 | \$ (8,779) |
| 2018 | (8,779) |
| 2019 | (11,854) |
| 2020 | |
| 2021 | |

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2015 actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

| <u>Assumption</u> | <u>GERF</u> |
|------------------------------|----------------|
| Inflation | 2.75% per year |
| Active Member Payroll Growth | 3.50% per year |
| Investment Rate of Return | 7.90% |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments.

Actuarial assumptions used in the June 30, 2015, valuations were based on the results of actuarial experience studies. The experience study was for the period July 1, 2004, through June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB 67 valuation.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

The long-term expected rate of return on pension plan investments is 7.9% for GERF. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rates of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic Stocks | 45% | 5.50% |
| International Stocks | 15% | 6.00% |
| Bonds | 18% | 1.45% |
| Alternative Assets | 20% | 6.40% |
| Cash | 2% | 0.50% |

F. DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.9% for GERF. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on those assumptions, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. PENSION LIABILITY SENSITIVITY

The following presents the Library System's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Library System's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

| | <u>1% Decrease in Discount Rate</u> | <u>Discount Rate</u> | <u>1% Increase in Discount Rate</u> |
|--|---|--------------------------|---|
| Discount Rate | 6.90% | 7.90% | 8.90% |
| Library System's proportionate share of the net pension liability | \$ 399,289 | \$ 253,943 | \$ 133,910 |

H. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about GERF's fiduciary net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9. FUND BALANCE

A summary of the Plum Creek Library System's fund balance classifications is as follows:

| | |
|--------------------|-------------------|
| Nonspendable | |
| Prepaid Items | \$ 34,960 |
| Restricted E-Rate | 31,773 |
| Unassigned | <u>87,055</u> |
| Total Fund Balance | <u>\$ 153,788</u> |

NOTE 10. CURRENT VULNERABILITY DUE TO CONCENTRATION

The Library System receives approximately 85% of its funding from governmental agencies under grant arrangements. Although there are no plans to discontinue this funding, the loss of this funding would severely impact the financial position and the ability of the Library System to operate.

NOTE 11. RISK MANAGEMENT

The Library System is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library System obtains coverage through commercial insurance companies to manage the risk. It is estimated that the amount of actual or potential claims against the Library System as of June 30, 2016 would immaterially affect the financial condition of the Library System.

There has been no significant reduction in insurance coverage from the previous year in any of the Library System's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 12. PRIOR PERIOD ADJUSTMENT

The ending net position for the previous year on the Statement of Activities has been decreased to reflect the disposal of a capital asset due to a correction of an error. The ending balance has been restated from (\$40,435) to (\$59,313) (a decrease of \$18,878). Likewise, net expense for Administration increased by \$18,878 for the previous year.

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REQUIRED SUPPLEMENTARY INFORMATION

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PLUM CREEK LIBRARY SYSTEM

SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
EMPLOYER CONTRIBUTIONS
JUNE 30, 2016

Schedule of Proportionate Share of the Net Pension Liability

| Fiscal Year Ending | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | Employer's Covered- Employee Payroll (b) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll (a/b) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-----------------------|--|--|--|--|---|
| <u>PERA</u> | | | | | |
| 6/30/2015 | 0.0049% | \$ 253,944 | \$ 290,057 | 87.5% | 78.2% |
| 6/30/2014 | 0.0052% | 19,640 | 270,887 | 7.3% | 78.7% |

Schedule of Employer Contributions

| Fiscal Year Ending | Statutorily Required Contribution (a) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | Covered- Employee Payroll (d) | Contributions as a Percentage of Covered- Employee Payroll (b/d) |
|-----------------------|--|---|---|--|---|
| <u>PERA</u> | | | | | |
| 6/30/2016 | \$ 26,549 | \$ 26,549 | \$ | \$ 354,025 | 7.50% |
| 6/30/2015 | 20,489 | 20,489 | | 290,057 | 7.06% |

The Library System implemented GASB Statement No. 68 for fiscal year ended June 30, 2015. Information for prior years is not available.

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SUPPLEMENTARY INFORMATION

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PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

| | 2016 | | | | | 2015 |
|------------------------------------|------------------|-----------|-----------|------------------------------|-----------|--------|
| | Budgeted Amounts | | Actual | Over (Under) Final Budget | | |
| | Original | Final | | | | |
| REVENUES | | | | | | |
| Intergovernmental | | | | | | |
| Federal Grants and Aids | | | | | | |
| Federal E-Rate Funds | \$ 73,025 | \$ 64,844 | \$ 65,542 | \$ 698 | \$ 55,032 | |
| State Grants and Aids | | | | | | |
| Basic System Support | 350,000 | 350,000 | 349,385 | (615) | 350,654 | |
| MN Legacy Funds | 120,000 | 84,888 | 106,278 | 21,390 | 58,742 | |
| RLTA Aid | 16,000 | 16,000 | 16,270 | 270 | 26,167 | |
| MN Link Gateway | 3,500 | 4,172 | 4,172 | | 4,002 | |
| PERA Aid | 722 | 722 | 722 | | 722 | |
| Total State Grants and Aids | 490,222 | 455,782 | 476,827 | 21,045 | 440,287 | |
| Total Intergovernmental | 563,247 | 520,626 | 542,369 | 21,743 | 495,319 | |
| Other Grants | | | | | | |
| LSTA - Schools | | | | | | 39,810 |
| SAMMIE - Schools | | | | | | 8,000 |
| Total Other Grants | 0 | 0 | 0 | 0 | | 47,810 |
| Charges for Services | | | | | | |
| Outreach Services | 65,492 | 62,540 | 62,540 | | 61,586 | |
| Specialty Items Reimbursed | 30,000 | 20,000 | 20,316 | 316 | 26,716 | |
| Total Charges for Services | 95,492 | 82,540 | 82,856 | 316 | 88,302 | |
| Invoiced to Counties | 252,000 | 250,107 | 252,115 | 2,008 | 244,570 | |
| Automation | 112,730 | 112,730 | 112,730 | | 78,575 | |
| Delivery | 40,885 | 40,885 | 40,895 | 10 | 31,569 | |
| Miscellaneous | | | | | | |
| Donations | 100 | 6,834 | 1,006 | (5,828) | 5,034 | |
| Interest Income | 250 | 250 | 331 | 81 | 291 | |
| E- Book Income | 25,980 | 25,980 | 30,167 | 4,187 | 30,427 | |
| Pioneerland Legacy | 3,300 | 5,997 | 8,825 | 2,828 | 7,017 | |
| Summer and Winter Reading Programs | 1,000 | 1,000 | | (1,000) | | |
| Copy Machine | 15 | 15 | | (15) | | |
| Zinio Subscriptions | 10,020 | 10,020 | | (10,020) | 10,335 | |
| Miscellaneous | 185 | 235 | 259 | 24 | 11,613 | |
| Rent | 4,100 | 4,100 | 4,295 | 195 | 4,294 | |
| Total Miscellaneous | 44,950 | 54,431 | 44,883 | (9,548) | 69,011 | |
| Total Revenues | 1,109,304 | 1,061,319 | 1,075,848 | 14,529 | 1,055,156 | |

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

| | 2016 | | | | 2015 |
|--|------------------|------------|------------|------------------------------|------------|
| | Budgeted Amounts | | Actual | Over (Under) Final Budget | |
| | Original | Final | | | |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Administration | | | | | |
| Personal Services | | | | | |
| Staff Salaries | \$ 139,123 | \$ 143,545 | \$ 143,588 | \$ 43 | \$ 121,665 |
| Staff Payroll | 22,417 | 22,001 | 20,804 | (1,197) | 14,983 |
| Advertising | | | | | 899 |
| Staff Hospitalization and Life Insurance | 31,276 | 26,576 | 26,490 | (86) | 19,227 |
| Insurance | 5,150 | 5,150 | 5,176 | 26 | 5,133 |
| Workers' Compensation Insurance | 4,575 | 3,430 | 3,430 | | 3,687 |
| Total Personal Services | 202,541 | 200,702 | 199,488 | (1,214) | 165,594 |
| Supplies | | | | | |
| Office Supplies, Printing and Stationery | 3,115 | 3,115 | 3,132 | 17 | 2,541 |
| Postage | 1,500 | 900 | 858 | (42) | 205 |
| Total Supplies | 4,615 | 4,015 | 3,990 | (25) | 2,746 |
| Other Services and Charges | | | | | |
| Publications, Subscriptions and Books | 1,800 | 2,000 | 2,093 | 93 | 1,667 |
| Telephone | 4,350 | 4,350 | 4,301 | (49) | 4,325 |
| Travel, Meetings and Seminars | 14,600 | 9,600 | 9,520 | (80) | 18,934 |
| Professional Services: Legal and Audit Consultation Fees | 6,480 | 7,730 | 7,730 | | 16,688 |
| Equipment Maintenance and Repairs | 5,545 | 6,685 | 6,910 | 225 | 3,164 |
| Real Estate Taxes | 450 | 450 | 425 | (25) | 416 |
| Miscellaneous | 1,000 | 5,000 | 3,350 | (1,650) | 2,263 |
| Utilities | 6,350 | 6,000 | 5,565 | (435) | 5,816 |
| Total Other Services and Charges | 40,575 | 41,815 | 39,894 | (1,921) | 88,696 |
| Total Administration | 247,731 | 246,532 | 243,372 | (3,160) | 257,036 |
| Programs | | | | | |
| Cataloging and Inter Library Loan | | | | | |
| Personal Services | | | | | |
| Salaries | 83,138 | 84,258 | 84,255 | (3) | 83,826 |
| Payroll Taxes | 13,012 | 12,496 | 12,446 | (50) | 12,304 |
| Staff Hospitalization and Life Insurance | 18,084 | 14,918 | 14,918 | | 14,976 |
| Workers' Compensation Insurance | 1,650 | 1,650 | 1,513 | (137) | 1,631 |
| Total Personal Services | 115,884 | 113,322 | 113,132 | (190) | 112,737 |
| Reference | | | | | |
| Materials | 200 | 200 | 142 | (58) | 66 |
| Other Services and Charges | | | | | |
| Dialog and OCLC Searches | 7,000 | 7,000 | 7,086 | 86 | 6,904 |
| Travel, Meetings and Seminars | 950 | 100 | 59 | (41) | 64 |
| Total Other Services and Charges | 7,950 | 7,100 | 7,145 | 45 | 6,968 |
| Total Cataloging and Inter Library Loan | 124,034 | 120,622 | 120,419 | (203) | 119,771 |

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

| | 2016 | | | | 2015 |
|---|------------------|-----------|-----------|------------------------------|-----------|
| | Budgeted Amounts | | Actual | Over (Under) Final Budget | |
| | Original | Final | | | |
| EXPENDITURES (Cont'd) | | | | | |
| Current (Cont'd) | | | | | |
| Programs (Cont'd) | | | | | |
| Delivery System | | | | | |
| Personal Services | | | | | |
| Salaries | \$ 30,738 | \$ 31,408 | \$ 31,405 | \$ (3) | \$ 29,464 |
| Payroll Taxes | 4,811 | 4,811 | 4,617 | (194) | 4,271 |
| Health and Life Insurance | 4,692 | 4,907 | 4,904 | (3) | 5,128 |
| Workers' Compensation Insurance | 650 | 650 | 582 | (68) | 625 |
| Total Personal Services | 40,891 | 41,776 | 41,508 | (268) | 39,488 |
| Other Services and Charges | | | | | |
| Rent | 1,500 | 1,500 | 1,500 | | 1,375 |
| Vehicle, Repair Maintenance and Insurance | 19,500 | 14,000 | 13,969 | (31) | 15,945 |
| Other | 1,520 | 1,920 | 2,167 | 247 | 3,947 |
| Total Other Services and Charges | 22,520 | 17,420 | 17,636 | 216 | 21,267 |
| Total Delivery System | 63,411 | 59,196 | 59,144 | (52) | 60,755 |
| Automation | | | | | |
| Personal Services | | | | | |
| Salaries | 44,304 | 44,665 | 44,664 | (1) | 44,138 |
| Payroll Taxes | 6,935 | 6,935 | 6,624 | (311) | 6,491 |
| Health and Life Insurance | 6,792 | 6,112 | 6,111 | (1) | 6,207 |
| Workers' Compensation Insurance | 900 | 900 | 791 | (109) | 853 |
| Total Personal Services | 58,931 | 58,612 | 58,190 | (422) | 57,689 |
| Other Services and Charges | | | | | |
| Telephone | 550 | 220 | 215 | (5) | 299 |
| Vehicle, Repair Maintenance and Insurance | 2,900 | 3,050 | 3,187 | 137 | 2,560 |
| Telecommunications | 80,000 | 74,000 | 74,164 | 164 | 70,686 |
| Library Expense - Automation | 29,737 | 21,700 | 21,555 | (145) | 27,616 |
| Continuing Education | 1,900 | 1,300 | 1,224 | (76) | 1,600 |
| Total Other Services and Charges | 115,087 | 100,270 | 100,345 | 75 | 102,761 |
| Total Automation | 174,018 | 158,882 | 158,535 | (347) | 160,450 |
| Outreach | | | | | |
| Personal Services | | | | | |
| Salaries | 38,855 | 39,955 | 39,907 | (48) | 39,013 |
| Payroll Taxes | 6,082 | 6,082 | 5,907 | (175) | 5,729 |
| Health and Life Insurance | 6,792 | 6,112 | 6,111 | (1) | 6,207 |
| Workers' Compensation Insurance | 850 | 850 | 675 | (175) | 823 |
| Total Personal Services | 52,579 | 52,999 | 52,600 | (399) | 51,772 |

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

| | 2016 | | | | 2015 |
|-----------------------------------|------------------|----------------|----------------|------------------------------|----------------|
| | Budgeted Amounts | | Actual | Over (Under) Final Budget | |
| | Original | Final | | | |
| EXPENDITURES (Cont'd) | | | | | |
| Current (Cont'd) | | | | | |
| Programs (Cont'd) | | | | | |
| Outreach (Cont'd) | | | | | |
| Supplies | | | | | |
| Program Supplies and Postage | \$ 400 | \$ 400 | \$ 98 | \$ (302) | \$ 307 |
| Books | 6,000 | 3,229 | 1,648 | (1,581) | 1,104 |
| Continuing Education | 262 | 262 | 39 | (223) | |
| Total Supplies | <u>6,662</u> | <u>3,891</u> | <u>1,785</u> | <u>(2,106)</u> | <u>1,411</u> |
| Other Services and Charges | | | | | |
| Insurance | 450 | 450 | 545 | 95 | 563 |
| Vehicle Operating and Maintenance | 5,755 | 4,955 | 3,245 | (1,710) | 3,023 |
| Other Outreach Expenses | 434 | 7,268 | 313 | (6,955) | 417 |
| Total Other Services and Charges | <u>6,639</u> | <u>12,673</u> | <u>4,103</u> | <u>(8,570)</u> | <u>4,003</u> |
| Total Outreach | <u>65,880</u> | <u>69,563</u> | <u>58,488</u> | <u>(11,075)</u> | <u>57,186</u> |
| Services | | | | | |
| Specialty Items | 56,980 | 46,980 | 52,013 | 5,033 | 58,086 |
| Professional Collection | | | | | 77 |
| County Aid to Libraries | 252,000 | 250,107 | 252,190 | 2,083 | 244,543 |
| Total Services | <u>308,980</u> | <u>297,087</u> | <u>304,203</u> | <u>7,116</u> | <u>302,706</u> |
| Regional Legacy | | | | | |
| Personal Services | | | | | |
| Salaries | 20,722 | 7,000 | 7,478 | 478 | 1,460 |
| Supplies | | | | | |
| Program Supplies | 2,000 | 1,500 | 1,036 | (464) | 842 |
| Other Services and Charges | | | | | |
| Advertising | 2,000 | 4,000 | 3,120 | (880) | 636 |
| Consulting | | | 334 | 334 | 1,356 |
| Speaker Contracts | 72,322 | 52,322 | 72,626 | 20,304 | 33,244 |
| Other Regional Legacy Expenses | 5,600 | 3,812 | 2,843 | (969) | 439 |
| Total Other Services and Charges | <u>79,922</u> | <u>60,134</u> | <u>78,923</u> | <u>18,789</u> | <u>35,675</u> |
| Total Regional Legacy | <u>102,644</u> | <u>68,634</u> | <u>87,437</u> | <u>18,803</u> | <u>37,977</u> |

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2016
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2015

| | 2016 | | | | 2015 |
|--------------------------------------|-------------------|-----------------|-------------------|------------------------------|-------------------|
| | Budgeted Amounts | | Actual | Over (Under) Final Budget | |
| | Original | Final | | | |
| EXPENDITURES (Cont'd) | | | | | |
| Current (Cont'd) | | | | | |
| Programs (Cont'd) | | | | | |
| Multi-Regional Legacy | | | | | |
| Personal Services | | | | | |
| Salaries | \$ 1,000 | \$ 3,150 | \$ 4,988 | \$ 1,838 | \$ 457 |
| Supplies | | | | | |
| Program Supplies | 1,000 | 1,000 | 835 | (165) | 884 |
| Other Services and Charges | | | | | |
| Advertising | 900 | 350 | 203 | (147) | 705 |
| Consulting | | | | | 519 |
| Travel | | | 273 | 273 | 335 |
| Speaker Contracts | 5,600 | 9,597 | 12,338 | 2,741 | 10,795 |
| Other Multi-Regional Legacy Expenses | 156 | 156 | 753 | 597 | 69 |
| Total Other Services and Charges | 6,656 | 10,103 | 13,567 | 3,464 | 12,423 |
| Total Multi-Regional Legacy | 8,656 | 14,253 | 19,390 | 5,137 | 13,764 |
| Statewide Legacy | | | | | |
| Speaker Contracts | 12,000 | 7,998 | 7,998 | | 14,019 |
| LSTA - School | | | | | 30,182 |
| SAMMIE | | | | | 8,241 |
| Zinio Contract | 10,020 | 10,020 | | (10,020) | 11,624 |
| Total Program Expenditures | 869,643 | 806,255 | 815,614 | 9,359 | 816,675 |
| Capital Outlay | | | | | |
| Administration | | | 2,067 | 2,067 | 1,567 |
| Programs | | | | | |
| Cataloging and Inter Library Loan | | | | | 586 |
| Automation | | | 804 | 804 | 737 |
| Total Capital Outlay | | | 2,871 | 2,871 | 2,890 |
| Total Expenditures | 1,117,374 | 1,052,787 | 1,061,857 | 9,070 | 1,076,601 |
| Net Change in Fund Balance | <u>\$ (8,070)</u> | <u>\$ 8,532</u> | 13,991 | <u>\$ 5,459</u> | (21,445) |
| FUND BALANCE, BEGINNING OF YEAR | | | 139,797 | | 161,242 |
| FUND BALANCE, END OF YEAR | | | <u>\$ 153,788</u> | | <u>\$ 139,797</u> |

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COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

The Governing Board
Plum Creek Library System
Worthington, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities and the major fund of the Plum Creek Library System, Worthington, Minnesota, as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2016.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories except public indebtedness and tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that the Library System failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Library System's noncompliance with the above referenced provisions.

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

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Willmar, Minnesota

October 19, 2016

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

The Governing Board
Plum Creek Library System
Worthington, Minnesota

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 major fund of the Plum Creek Library System, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Library System's basic financial statements and have issued our report thereon dated October 19, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library System'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 Library System's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library System's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies 2011-001 and 2011-002 as described in the accompanying Schedule of Findings to be material weaknesses.

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T (800) 862-1337

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library System's financial statements are free of 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*.

Plum Creek Library System's Response to Findings

The Library System's response to the findings identified in our audit are described in the accompanying Schedule of Findings. The Library System's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Library System'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 Library System's internal control and compliance. Accordingly, this communication is not suitable for any other purposes.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Willmar, Minnesota

October 19, 2016

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

FINDING: 2011-001 LIMITED SEGREGATION OF DUTIES

- Condition: There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of office employees.
- Criteria: The basic premise is that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction. The lack of such controls could result in the occurrence of a material error or fraud in relation to the financial statements not being detected by management.
- Cause: The Library System has assigned duties to staff based on a cost-benefit relationship to the Library System and the practicality of the level of staffing they maintain.
- Effect: The lack of adequate segregation of duties could adversely affect the Library System's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.
- Recommendation: The Library System should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

MANAGEMENT'S RESPONSE

The Library System is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2016

I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS (Cont'd)

PREVIOUSLY REPORTED ITEM NOT RESOLVED

FINDING: 2011-002 AUDITOR PREPARED FINANCIAL STATEMENTS

- Condition: The Library System does not have an internal control system designed to provide for the preparation of the financial statements and the related notes being audited. However, based on the degree of complexity and level of detail needed to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the Library System has requested the auditors to prepare them.
- Criteria: The preparation of the financial statements and the related notes are the responsibility of management.
- Cause: There are a limited number of office employees and resources available to allow for the adequate preparation of the financial statements and the related notes by the Library System.
- Effect: This could result in a material misstatement to the financial statements and related notes that would not be prevented, or detected and corrected as a result of the Library System's current internal control.
- Recommendation: The Library System should continue to request the assistance to draft the financial statements and related notes and thoroughly review these financial statements after they have been prepared so the Library System can take responsibility for them.

MANAGEMENT'S RESPONSE

The Library System is aware of this; however, due to significant cost and a limited number of employees, it is in the Library System's best financial interest to contract for the preparation of the financial statements.