

PLUM CREEK LIBRARY SYSTEM
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2014

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, 2014, 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, 2014, 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 2013 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated October 16, 2013. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2013 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 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 15, 2014, 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 15, 2014

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, 2014. 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 decreased by \$53,482 from June 30, 2013.
- General Fund balance decreased by \$43,389 from the prior year due to several different factors.
- Total governmental revenues decreased by \$18,529 in comparison to fiscal year 2013.
- Total governmental expenditures increased by \$17,377 in comparison to fiscal year 2013.

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 15-24 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).

	<u>Governmental Activities</u>		Change
	<u>2014</u>	<u>2013</u>	
Current and Other Assets	\$ 450,267	\$ 400,504	\$ 49,763
Net Capital Assets	128,066	135,625	(7,559)
Total Assets	<u>\$ 578,333</u>	<u>\$ 536,129</u>	<u>\$ 42,204</u>
Current Liabilities	\$ 276,393	\$ 183,241	\$ 93,152
Noncurrent Liabilities	36,360	33,826	2,534
Total Liabilities	<u>312,753</u>	<u>217,067</u>	<u>95,686</u>
Net Position			
Net Investment in Capital Assets	128,066	135,625	(7,559)
Unrestricted	137,514	183,437	(45,923)
Total Net Position	<u>265,580</u>	<u>319,062</u>	<u>(53,482)</u>
Total Liabilities and Net Position	<u>\$ 578,333</u>	<u>\$ 536,129</u>	<u>\$ 42,204</u>

PLUM CREEK LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Activities

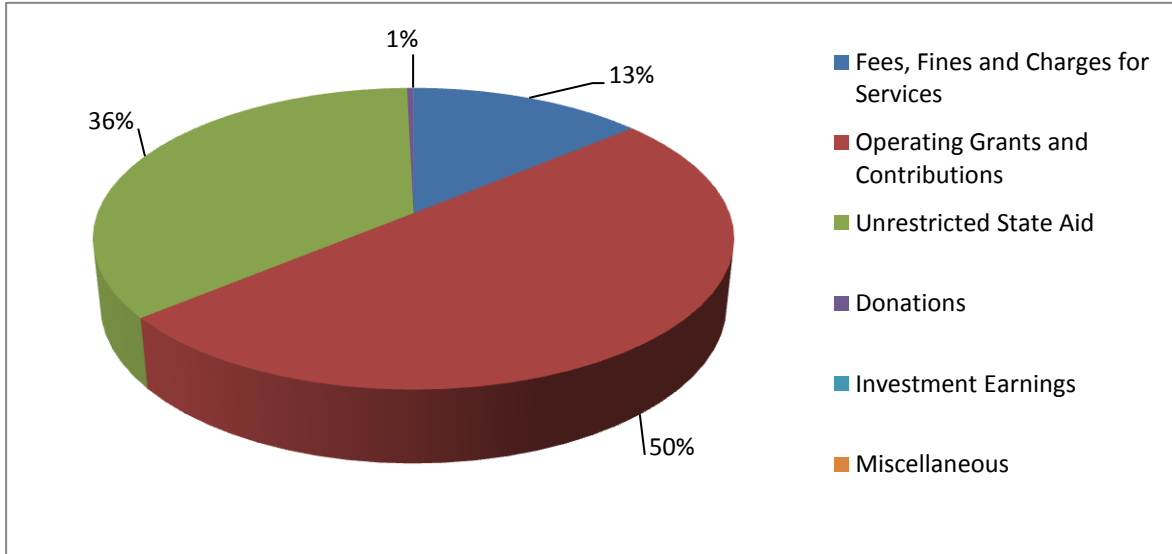
Net position of the Library System's governmental activities decreased by \$53,482 as a result of current year operations. Table 2 presents the key elements of the increase.

	Governmental Activities		Change
	2014	2013	
REVENUES			
Program Revenues			
Fees, Fines and Charges for Services	\$ 137,910	\$ 92,057	\$ 45,853
Operating Grants and Contributions	496,635	561,092	(64,457)
General Revenues			
Unrestricted State Aid	353,473	356,609	(3,136)
Donations	3,400	15	3,385
Investment Earnings	347	565	(218)
Miscellaneous	44		44
Total Revenues	<u>991,809</u>	<u>1,010,338</u>	<u>(18,529)</u>
EXPENSES			
Administration	281,798	240,481	41,317
Programs			
Cataloging and Inter Library Loan	115,235	109,002	6,233
Delivery System	60,640	64,288	(3,648)
Automation	111,248	109,046	2,202
Grants		7,200	(7,200)
Bookmobile / Outreach	66,383	67,456	(1,073)
Services	294,354	290,563	3,791
Regional Legacy	18,961	32,037	(13,076)
Multi-Regional Legacy	17,129	71,514	(54,385)
State Legacy	12,341	6,896	5,445
LSTA - School	52,734		52,734
Zinio Contract	14,468		14,468
Total Expenses	<u>1,045,291</u>	<u>998,483</u>	<u>46,808</u>
Change in Net Position	<u>(53,482)</u>	<u>11,855</u>	<u>(65,337)</u>
NET POSITION, BEGINNING OF YEAR	<u>319,062</u>	<u>307,207</u>	<u>11,855</u>
NET POSITION, END OF YEAR	<u>\$ 265,580</u>	<u>\$ 319,062</u>	<u>\$ (53,482)</u>

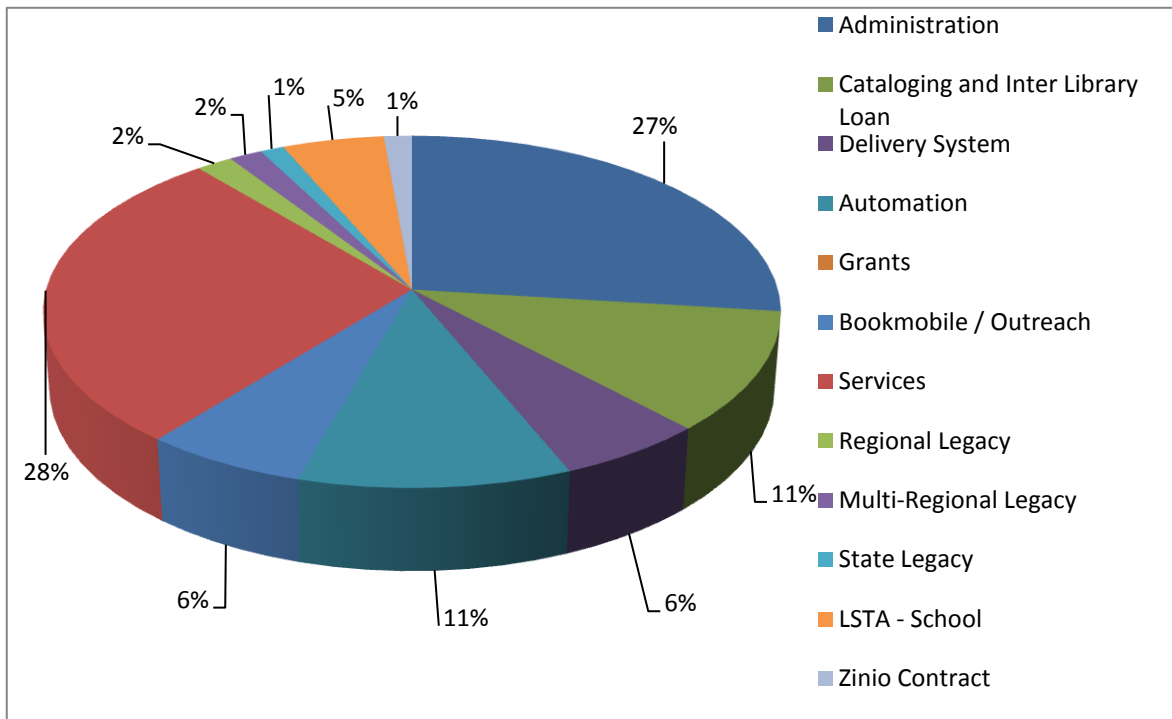
PLUM CREEK LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 decrease in the Library System's General Fund Balances was \$43,389 for 2014. The decrease is from less revenues than budgeted. Minnesota Legacy dollars were \$120,473 below budget.

PLUM CREEK LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

Over the course of the year, the Library System did not revise the budget. The General Fund budget included revenues over expenditures by \$32,025. Actual revenues were \$43,389 less than expenditures. Actual revenues and expenditures were less than final budgeted amounts.

Capital Assets

At the end of 2014, the Library System had \$367,826 invested in a broad range of capital assets. Refer to Note 4 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 \$36,360 in compensated absences. The Library System had no bonds or notes outstanding. Refer to Note 5 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, 2014

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2013

	Governmental Activities	
	2014	2013
ASSETS		
Cash on Hand	\$ 50	\$ 50
Cash in Bank	273,534	268,799
Accounts Receivable		
Libraries and Counties, Bookmobile Service and Other Charges	118,037	54,179
Due From Other Governments	35,275	48,401
Prepaid Items	23,371	29,075
Capital Assets, Net of Accumulated Deprecation	128,066	135,625
	<u>578,333</u>	<u>536,129</u>
Total Assets	<u>\$ 578,333</u>	<u>\$ 536,129</u>
LIABILITIES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 123,171	\$ 132,784
Accrued Wages	8,137	12,233
Unearned Revenue	145,085	38,224
Noncurrent Liabilities		
Due in More than One Year	36,360	33,826
Total Liabilities	<u>312,753</u>	<u>217,067</u>
Net Position		
Net Investment in Capital Assets	128,066	135,625
Unrestricted	137,514	183,437
Total Net Position	<u>265,580</u>	<u>319,062</u>
Total Liabilities and Net Position	<u>\$ 578,333</u>	<u>\$ 536,129</u>

See Accompanying Notes to the Financial Statements

PLUM CREEK LIBRARY SYSTEM

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Totals	
					2014	2013
GOVERNMENTAL ACTIVITIES						
Administration	\$ 281,798	\$ 8,843	\$	\$	\$ (272,955)	\$ (236,580)
Programs						
Cataloging and Inter Library Loan	115,235				(115,235)	(109,002)
Delivery System	60,640				(60,640)	(64,288)
Automation	111,248		136,690		25,442	33,954
Grants			42,783		42,783	
Bookmobile / Outreach	66,383	63,529			(2,854)	(6,620)
Services	294,354	55,519	271,635		32,800	37,199
Regional Legacy	18,961		18,961			1
Multi-Regional Legacy	17,129		14,225		(2,904)	2
State Legacy	12,341		12,341			
LSTA - School	52,734				(52,734)	
Zinio Contract	14,468	10,019			(4,449)	
Total Governmental Activities	\$ 1,045,291	\$ 137,910	\$ 496,635	\$ 0	(410,746)	(345,334)
GENERAL REVENUES						
State Aid Not Restricted to Specific Purposes					353,473	356,609
Donations					3,400	15
Investment Earnings					347	565
Miscellaneous					44	
Total General Revenues					357,264	357,189
Change in Net Position					(53,482)	11,855
NET POSITION, BEGINNING OF YEAR					319,062	307,207
NET POSITION, END OF YEAR					\$ 265,580	\$ 319,062

See Accompanying Notes to the Financial Statements

PLUM CREEK LIBRARY SYSTEM

BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2014

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2013

	General	
	<u>2014</u>	<u>2013</u>
ASSETS		
Cash on Hand	\$ 50	\$ 50
Cash in Bank	273,534	268,799
Accounts Receivable		
Libraries and Counties, Bookmobile Service and Other Charges	118,037	54,179
Due From Other Governments	35,275	48,401
Prepaid Items	<u>23,371</u>	<u>29,075</u>
Total Assets	<u>\$ 450,267</u>	<u>\$ 400,504</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 123,171	\$ 132,784
Accrued Wages	8,137	12,233
Unearned Revenue	<u>145,085</u>	<u>38,224</u>
Total Liabilities	276,393	183,241
Fund Balance		
Nonspendable	23,371	29,075
Unassigned	<u>150,503</u>	<u>188,188</u>
Total Fund Balance	<u>173,874</u>	<u>217,263</u>
Total Liabilities and Fund Balance	<u>\$ 450,267</u>	<u>\$ 400,504</u>

See Accompanying Notes to the Financial Statements

PLUM CREEK LIBRARY SYSTEM

RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2014
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2013

	<u>2014</u>	<u>2013</u>
Total Fund Balances - Governmental Fund	\$ 173,874	\$ 217,263
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.		
Capital Assets	367,826	355,438
Less: Accumulated Depreciation	(239,760)	(219,813)
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.		
Compensated Absences	<u>(36,360)</u>	<u>(33,826)</u>
Total Net Position - Governmental Activities	<u>\$ 265,580</u>	<u>\$ 319,062</u>

PLUM CREEK LIBRARY SYSTEM

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND
 YEAR ENDED JUNE 30, 2014
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	General	
	2014	2013
REVENUES		
Intergovernmental	\$ 447,590	\$ 525,659
Other Grants	39,985	7,200
Charges for Services	93,679	88,156
Invoiced to Counties	238,870	269,062
Automation	88,100	84,400
Delivery	32,765	31,380
Miscellaneous	50,820	4,481
Total Revenues	<u>991,809</u>	<u>1,010,338</u>
EXPENDITURES		
Current		
Administration	270,850	219,282
Programs		
Cataloging and Inter Library Loan	115,235	109,002
Delivery System	60,430	62,915
Automation	110,518	109,024
Grants		7,200
Bookmobile / Outreach	59,336	60,780
Services	294,354	290,563
Regional Legacy	18,961	32,037
Multi-Regional Legacy	17,129	71,514
Statewide Legacy	12,341	6,896
LSTA - School	52,734	
Zinio Contract	14,468	
Total Program Expenditures	<u>755,506</u>	<u>749,931</u>
Capital Outlay		
Administration	7,902	13,198
Programs		
Delivery System	210	34,711
Automation	730	
Bookmobile / Outreach		699
Total Capital Outlay	<u>8,842</u>	<u>48,608</u>
Total Expenditures	<u>1,035,198</u>	<u>1,017,821</u>
Net Change in Fund Balance	(43,389)	(7,483)
FUND BALANCE, BEGINNING OF YEAR	<u>217,263</u>	<u>224,746</u>
FUND BALANCE, END OF YEAR	<u>\$ 173,874</u>	<u>\$ 217,263</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, 2014
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	<u>2014</u>	<u>2013</u>
Total Net Change in Fund Balance - Governmental Fund	\$ (43,389)	\$ (7,483)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>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.</p>		
Capital Outlays	12,912	42,592
Depreciation Expense	(20,227)	(20,112)
Disposal of Capital Assets	(524)	(5,713)
Accumulated Depreciation Related to Disposed Capital Assets	280	5,396
Compensated absences are recognized as paid in the governmental fund but recognized as the expense is incurred in the Statement of Activities.	<u>(2,534)</u>	<u>(2,825)</u>
Change in Net Position - Governmental Activities	<u>\$ (53,482)</u>	<u>\$ 11,855</u>

PLUM CREEK LIBRARY SYSTEM

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 583,202	\$ 583,202	\$ 447,590	\$ (135,612)
Other Grants			39,985	39,985
Charges for Services	94,512	94,512	93,679	(833)
Invoiced to Counties	252,000	252,000	238,870	(13,130)
Automation	87,400	87,400	88,100	700
Delivery	32,755	32,755	32,765	10
Miscellaneous	32,540	32,540	50,820	18,280
Total Revenues	<u>1,082,409</u>	<u>1,082,409</u>	<u>991,809</u>	<u>(90,600)</u>
EXPENDITURES				
Current				
Administration	244,340	244,340	270,850	26,510
Programs				
Cataloging and Inter Library Loan	115,444	115,444	115,235	(209)
Delivery System	66,769	66,769	60,430	(6,339)
Automation	119,626	119,626	110,518	(9,108)
Bookmobile / Outreach	65,192	65,192	59,336	(5,856)
Services	309,350	309,350	294,354	(14,996)
Regional Legacy	75,100	75,100	18,961	(56,139)
Multi-Regional Legacy	42,613	42,613	17,129	(25,484)
Statewide Legacy	9,950	9,950	12,341	2,391
LSTA - School			52,734	52,734
Zinio Contract			14,468	14,468
Total Programs	<u>804,044</u>	<u>804,044</u>	<u>755,506</u>	<u>(48,538)</u>
Capital Outlay				
Administration	2,000	2,000	7,902	5,902
Programs				
Delivery System			210	210
Automation			730	730
Total Capital Outlay	<u>2,000</u>	<u>2,000</u>	<u>8,842</u>	<u>6,842</u>
Total Expenditures	<u>1,050,384</u>	<u>1,050,384</u>	<u>1,035,198</u>	<u>(15,186)</u>
Net Change in Fund Balance	<u>\$ 32,025</u>	<u>\$ 32,025</u>	(43,389)	<u>\$ (75,414)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>217,263</u>	
FUND BALANCE, END OF YEAR			<u>\$ 173,874</u>	

See Accompanying Notes to the Financial Statements

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PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014

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, 2014

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, 2014, 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, 2014

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

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

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 one year 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 one year of employment is entitled to 100% of each employee's unused vacation leave.

Other Postemployment Benefits:

Employees of the Library System pay health care premiums 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.

PLUM CREEK LIBRARY SYSTEM
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

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. On the modified accrual basis, receivables that will not be collected within the available period are reported as deferred inflows of resources.

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.

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 and also reflects negative residual amounts in other funds.

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.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

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

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

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, 2013, from which the partial information was derived.

NOTE 2. DEPOSITS

Cash on hand and cash deposits as of June 30, 2014 is as follows:

	Book Balance
Governmental Activities	
Cash on Hand	\$ 50
Cash in Bank	<u>273,534</u>
Total	<u>\$ 273,584</u>

As of June 30, 2014, 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.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3. RECEIVABLES

Receivables as of June 30, 2014 are as follows:

Libraries and Counties, Bookmobile Service and Other Charges	
Libraries and Counties	\$ 110,888
E-Rate	<u>7,149</u>
Total	<u>\$ 118,037</u>
Due From Other Governments	
State of Minnesota - Basic System Support	<u>\$ 35,275</u>

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

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, Being Depreciated				
Buildings	\$ 115,288	\$	\$	\$ 115,288
Bookmobile and Vehicles	122,738			122,738
Library Equipment	28,107	5,010	(524)	32,593
Office Equipment and Furniture	89,305	7,902		97,207
Total Capital Assets, Being Depreciated	<u>355,438</u>	<u>12,912</u>	<u>(524)</u>	<u>367,826</u>
Less Accumulated Depreciation for				
Buildings	43,603	2,901		46,504
Bookmobile and Vehicles	89,122	7,048		96,170
Library Equipment	9,654	5,932	(280)	15,306
Office Equipment & Furniture	77,434	4,346		81,780
Total Accumulated Depreciation	<u>219,813</u>	<u>20,227</u>	<u>(280)</u>	<u>239,760</u>
Total Capital Assets, Being Depreciated, Net	<u>135,625</u>	<u>(7,315)</u>	<u>(244)</u>	<u>128,066</u>
Governmental Activities				
Net Capital Assets	<u>\$ 135,625</u>	<u>\$ (7,315)</u>	<u>\$ (244)</u>	<u>\$ 128,066</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Administration	\$ 13,180
Programs	
Bookmobile	<u>7,047</u>
Total	<u>\$ 20,227</u>

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5. LONG TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2014 is:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Compensated Absences	\$ 33,826	\$ 30,324	\$ (27,790)	\$ 36,360	\$ 0

NOTE 6. UNEARNED REVENUE

Schedule of the Unearned Revenue as of June 30, 2014, is:

Legacy Funds	\$ 128,793
E-Books	16,292
Total	<u>\$ 145,085</u>

NOTE 7. DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. PLAN DESCRIPTION

All full-time and certain part-time employees of the Library System are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), which is a cost sharing, multiple-employer retirement plan. This plan is established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

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. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after five years of credited service. The defined retirement 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 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For all GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

A. PLAN DESCRIPTION (Cont'd)

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERS. 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.

B. FUNDING POLICY

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The Library System makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in fiscal year 2014. In the fiscal year 2014, the Library System was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members and 7.25% for Coordinated Plan members.

The Library System's contributions to the Public Employees Retirement Fund for the years ending June 30, 2014, 2013, and 2012, were \$19,738, \$18,319, and \$15,777, respectively. The Library System's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 8. FUND BALANCE

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

Nonspendable	
Prepaid Items	\$ 23,371
Unassigned	<u>150,503</u>
Total Fund Balance	<u>\$ 173,874</u>

NOTE 9. 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.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10. 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, 2014 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 11. RECLASSIFICATIONS

Certain prior year financial statement amounts have been reclassified to conform to current year's presentation. There was no affect on total net position or fund balance.

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, 2014
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014				2013
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
REVENUES					
Intergovernmental					
Federal Grants and Aids					
Federal E-Rate Funds	\$ 20,480	\$ 20,480	\$ 21,484	\$ 1,004	\$ 28,006
State Grants and Aids					
Basic System Support	368,000	368,000	352,751	(15,249)	355,887
MN Legacy Funds	166,000	166,000	45,527	(120,473)	110,450
RLTA Aid	25,000	25,000	22,727	(2,273)	27,193
MN Link Gateway	3,000	3,000	4,379	1,379	3,401
PERA Aid	722	722	722		722
Total State Grants and Aids	562,722	562,722	426,106	(136,616)	497,653
Total Intergovernmental	583,202	583,202	447,590	(135,612)	525,659
Other Grants					
MN Humanities American Civil War					7,200
LSTA - Schools			39,985	39,985	
Total Other Grants	0	0	39,985	39,985	7,200
Charges for Services					
Bookmobile Services	64,512	64,512	63,529	(983)	60,836
Specialty Items Reimbursed	30,000	30,000	30,150	150	27,320
Total Charges for Services	94,512	94,512	93,679	(833)	88,156
Invoiced to Counties	252,000	252,000	238,870	(13,130)	269,062
Automation	87,400	87,400	88,100	700	84,400
Delivery	32,755	32,755	32,765	10	31,380
Miscellaneous					
Donations	200	200	3,400	3,200	15
Interest Income	700	700	347	(353)	565
E- Book Income	26,350	26,350	25,369	(981)	
Pioneerland Legacy			4,550	4,550	
Summer and Winter Reading Programs	1,000	1,000	2,798	1,798	
Copy Machine					1
Zinio Subscriptions			10,019	10,019	
Miscellaneous			44	44	
Rent	4,290	4,290	4,293	3	3,900
Total Miscellaneous	32,540	32,540	50,820	18,280	4,481
Total Revenues	1,082,409	1,082,409	991,809	(90,600)	1,010,338

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2014
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014				2013
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
EXPENDITURES					
Current					
Administration					
Personal Services					
Staff Salaries	\$ 83,910	\$ 83,910	\$ 80,936	\$ (2,974)	\$ 59,622
Staff Payroll	13,140	13,140	12,263	(877)	9,060
Advertising					22
Staff Hospitalization and Life Insurance	24,484	24,484	22,674	(1,810)	16,776
Insurance	4,800	4,800	4,865	65	
Workers' Compensation Insurance	2,600	2,600	3,239	639	1,977
Total Personal Services	128,934	128,934	123,977	(4,957)	87,457
Supplies					
Office Supplies, Printing and Stationery	4,000	4,000	3,589	(411)	2,916
Postage	1,995	1,995	1,716	(279)	1,675
Total Supplies	5,995	5,995	5,305	(690)	4,591
Other Services and Charges					
Publications, Subscriptions and Books	2,200	2,200	2,694	494	2,104
Telephone	4,200	4,200	3,811	(389)	3,559
Travel, Meetings and Seminars	4,800	4,800	5,064	264	3,643
Professional Services: Legal and Audit	7,000	7,000	5,535	(1,465)	5,880
Consultation Fees	78,750	78,750	110,255	31,505	95,069
Equipment Maintenance and Repairs	1,911	1,911	4,668	2,757	6,754
Real Estate Taxes	550	550	442	(108)	441
Miscellaneous	4,500	4,500	3,376	(1,124)	4,017
Utilities	5,500	5,500	5,723	223	5,767
Total Other Services and Charges	109,411	109,411	141,568	32,157	127,234
Total Administration	244,340	244,340	270,850	26,510	219,282
Programs					
Cataloging and Inter Library Loan					
Personal Services					
Salaries	79,000	79,000	79,979	979	75,742
Payroll Taxes	12,360	12,360	11,645	(715)	11,057
Staff Hospitalization and Life Insurance	14,384	14,384	14,674	290	13,350
Workers' Compensation Insurance	1,150	1,150	1,439	289	770
Total Personal Services	106,894	106,894	107,737	843	100,919
Reference					
Materials	200	200	452	252	742
Other Services and Charges					
Dialog and OCLC Searches	7,200	7,200	6,956	(244)	6,622
Travel, Meetings and Seminars	1,150	1,150	90	(1,060)	719
Total Other Services and Charges	8,350	8,350	7,046	(1,304)	7,341
Total Cataloging and Inter Library Loan	115,444	115,444	115,235	(209)	109,002

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2014
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014				2013
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Programs (Cont'd)					
Delivery System					
Personal Services					
Salaries	\$ 28,020	\$ 28,020	\$ 26,900	\$ (1,120)	\$ 25,953
Payroll Taxes	4,387	4,387	3,925	(462)	3,871
Health and Life Insurance	5,492	5,492	5,255	(237)	5,328
Workers' Compensation Insurance	440	440	529	89	364
Total Personal Services	<u>38,339</u>	<u>38,339</u>	<u>36,609</u>	<u>(1,730)</u>	<u>35,516</u>
Other Services and Charges					
Rent	1,500	1,500	1,500		1,448
Vehicle, Repair Maintenance and Insur:	24,500	24,500	18,953	(5,547)	23,664
Other	2,430	2,430	3,368	938	2,287
Total Other Services and Charges	<u>28,430</u>	<u>28,430</u>	<u>23,821</u>	<u>(4,609)</u>	<u>27,399</u>
Total Delivery System	<u>66,769</u>	<u>66,769</u>	<u>60,430</u>	<u>(6,339)</u>	<u>62,915</u>
Automation					
Personal Services					
Salaries	42,100	42,100	42,332	232	39,199
Payroll Taxes	6,594	6,594	6,150	(444)	5,751
Health and Life Insurance	5,842	5,842	6,236	394	5,328
Workers' Compensation Insurance	490	490	727	237	371
Total Personal Services	<u>55,026</u>	<u>55,026</u>	<u>55,445</u>	<u>419</u>	<u>50,649</u>
Other Services and Charges					
Telephone	1,000	1,000	978	(22)	818
Vehicle, Repair Maintenance and Insur:	1,000	1,000	1,282	282	5,924
Telecommunications	37,000	37,000	33,611	(3,389)	32,714
Library Expense - Automation	23,200	23,200	17,651	(5,549)	18,813
Continuing Education	2,400	2,400	1,551	(849)	106
Total Other Services and Charges	<u>64,600</u>	<u>64,600</u>	<u>55,073</u>	<u>(9,527)</u>	<u>58,375</u>
Total Automation	<u>119,626</u>	<u>119,626</u>	<u>110,518</u>	<u>(9,108)</u>	<u>109,024</u>
Grants					
MN State Arts Grant					7,200
Bookmobile / Outreach					
Personal Services					
Salaries	38,390	38,390	38,736	346	39,999
Payroll Taxes	6,015	6,015	5,704	(311)	5,960
Health and Life Insurance	5,874	5,874	6,236	362	5,328
Workers' Compensation Insurance	550	550	676	126	387
Total Personal Services	<u>50,829</u>	<u>50,829</u>	<u>51,352</u>	<u>523</u>	<u>51,674</u>

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2014
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014				2013
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Programs (Cont'd)					
Bookmobile / Outreach (Cont'd)					
Supplies					
Program Supplies and Postage	\$ 400	\$ 400	\$ 228	\$ (172)	\$ 466
Books	3,433	3,433	1,301	(2,132)	306
Continuing Education	100	100		(100)	39
Miscellaneous			214	214	495
Total Supplies	<u>3,933</u>	<u>3,933</u>	<u>1,743</u>	<u>(2,190)</u>	<u>1,306</u>
Other Services and Charges					
Rent					1,125
Insurance	450	450	517	67	449
Vehicle Operating and Maintenance	9,250	9,250	4,612	(4,638)	5,704
Other Bookmobile Expenses	730	730	1,112	382	522
Total Other Services and Charges	<u>10,430</u>	<u>10,430</u>	<u>6,241</u>	<u>(4,189)</u>	<u>7,800</u>
Total Bookmobile	<u>65,192</u>	<u>65,192</u>	<u>59,336</u>	<u>(5,856)</u>	<u>60,780</u>
Services					
Specialty Items	57,350	57,350	52,517	(4,833)	48,445
Professional Collection			141	141	424
County Aid to Libraries	<u>252,000</u>	<u>252,000</u>	<u>241,696</u>	<u>(10,304)</u>	<u>241,694</u>
Total Services	<u>309,350</u>	<u>309,350</u>	<u>294,354</u>	<u>(14,996)</u>	<u>290,563</u>
Regional Legacy					
Personal Services					
Salaries	13,493	13,493	3,440	(10,053)	12,123
Supplies					
Program Supplies	2,000	2,000		(2,000)	676
Other Services and Charges					
Advertising	2,000	2,000	534	(1,466)	1,611
Consulting	5,625	5,625	345	(5,280)	2,145
Speaker Contracts	42,951	42,951	13,323	(29,628)	10,936
Other Regional Legacy Expenses	<u>9,031</u>	<u>9,031</u>	<u>1,319</u>	<u>(7,712)</u>	<u>4,546</u>
Total Other Services and Charges	<u>59,607</u>	<u>59,607</u>	<u>15,521</u>	<u>(44,086)</u>	<u>19,238</u>
Total Regional Legacy	<u>75,100</u>	<u>75,100</u>	<u>18,961</u>	<u>(56,139)</u>	<u>32,037</u>

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2014
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2013

	2014				2013
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Programs (Cont'd)					
Multi-Regional Legacy					
Personal Services					
Salaries	\$ 10,793	\$ 10,793	\$	\$ (10,793)	\$ 10,158
Supplies					
Program Supplies	500	500	2,661	2,161	1,404
Other Services and Charges					
Advertising	400	400	91	(309)	1,217
Consulting	5,625	5,625	5,971	346	7,750
Travel	1,000	1,000	765	(235)	624
Speaker Contracts	19,564	19,564	7,641	(11,923)	46,068
Other Multi-Regional Legacy Expenses	4,731	4,731		(4,731)	4,293
Total Other Services and Charges	<u>31,320</u>	<u>31,320</u>	<u>14,468</u>	<u>(16,852)</u>	<u>59,952</u>
Total Multi-Regional Legacy	42,613	42,613	17,129	(25,484)	71,514
Statewide Legacy					
Speaker Contracts	9,950	9,950	12,341	2,391	6,896
LSTA - School			52,734	52,734	
Zinio Contract			14,468	14,468	
Total Program Expenditures	<u>804,044</u>	<u>804,044</u>	<u>755,506</u>	<u>(48,538)</u>	<u>749,931</u>
Capital Outlay					
Administration	2,000	2,000	7,902	5,902	13,198
Programs					
Delivery System			210	210	34,711
Automotive			730	730	
Bookmobile					699
Total Capital Outlay	<u>2,000</u>	<u>2,000</u>	<u>8,842</u>	<u>6,842</u>	<u>48,608</u>
Total Expenditures	<u>1,050,384</u>	<u>1,050,384</u>	<u>1,035,198</u>	<u>(15,186)</u>	<u>1,017,821</u>
Net Change in Fund Balance	<u>\$ 32,025</u>	<u>\$ 32,025</u>	(43,389)	<u>\$ (75,414)</u>	(7,483)
FUND BALANCE, BEGINNING OF YEAR			217,263		224,746
FUND BALANCE, END OF YEAR			<u>\$ 173,874</u>		<u>\$ 217,263</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, 2014, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2014.

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*, except as described in the Schedule of Findings as item 2014-01. 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 15, 2014

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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, 2014, 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 15, 2014.

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 2011-01 and 2011-02 as described in the accompanying Schedule of Findings to be material weaknesses.

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 15, 2014

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

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

PREVIOUSLY REPORTED ITEM NOT RESOLVED

FINDING: 2011-01 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, 2014

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

PREVIOUSLY REPORTED ITEM NOT RESOLVED

FINDING: 2011-02 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.

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

II. FINDINGS RELATED TO MINNESOTA LEGAL COMPLIANCE

FINDING: 2014-01 CREDIT CARD PURCHASES

The Minnesota Legal Compliance Audit Guide for Claims and Disbursements requires all credit card purchases to comply with state statutes and the policies applicable to the Library System. During our audit, we noted frequent purchases made by the director of the Library System that did not comply with the statutes and policies for Claim and Disbursements. Purchases that did not comply with the statutes and policies were repaid by the director. Also, as of June 30, 2014, the Library System did not have a credit card policy. Due to the frequency and significant dollar amount of the purchases, the auditors of the Library System were required to report this finding to the Office of the State Auditor and the County Attorney of Nobles County.

MANAGEMENT'S RESPONSE

The Library System and Board are aware of this issue. A credit card policy will be implemented and the current travel policy will be updated. This will create a control environment which should prevent this issue from occurring in the future and allow prompt detection if it does occur again.