

PLUM CREEK LIBRARY SYSTEM
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2019

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
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, 2019, 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, 2019, 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 2018 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated October 17, 2018. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2018 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 Schedule of Proportionate Share of the Net Pension Liability and the Schedule of 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 16, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library System's internal control over financial reporting and compliance.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
WILLMAR, MINNESOTA

October 16, 2019

REQUIRED SUPPLEMENTARY INFORMATION

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PLUM CREEK LIBRARY SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

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, 2019. 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 \$59,650 from June 30, 2018.
- General Fund fund balance increased by \$30,988 from the prior year. The increase was due to less expenditures than anticipated as well as a budgeted piece of it being set aside in committed fund balance for vehicle replacement and automation and technology.
- Total governmental revenues decreased by \$251,773 in comparison to fiscal year 2018 primarily due to a grant being paid to the counties rather than through the Library System.
- Total governmental expenditures decreased by \$270,406 in comparison to fiscal year 2018 primarily due to a county grant being paid to the counties rather than through the Library System.

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 deferred outflows of resources and liabilities and deferred inflows of resources 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 deferred outflows of resources and liabilities and deferred inflows of resources—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
JUNE 30, 2019

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

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
	2019	2018	
Current and Other Assets	\$ 329,038	\$ 312,723	\$ 16,315
Net Capital Assets	84,516	78,455	6,061
Total Assets	413,554	391,178	22,376
Deferred Outflows of Resources	73,818	113,253	(39,435)
Total Assets and Deferred Outflows of Resources	\$ 487,372	\$ 504,431	\$ (17,059)
Current Liabilities	\$ 133,205	\$ 147,878	\$ (14,673)
Long-Term Liabilities	287,926	370,409	(82,483)
Total Liabilities	421,131	518,287	(97,156)
Deferred Inflows of Resources	109,295	88,848	20,447
Net Position			
Net Investment in Capital Assets	84,516	78,455	6,061
Restricted E-Rate	15,607	31,852	(16,245)
Unrestricted	(143,177)	(213,011)	69,834
Total Net Position	(43,054)	(102,704)	59,650
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 487,372	\$ 504,431	\$ (17,059)

PLUM CREEK LIBRARY SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

Statement of Activities

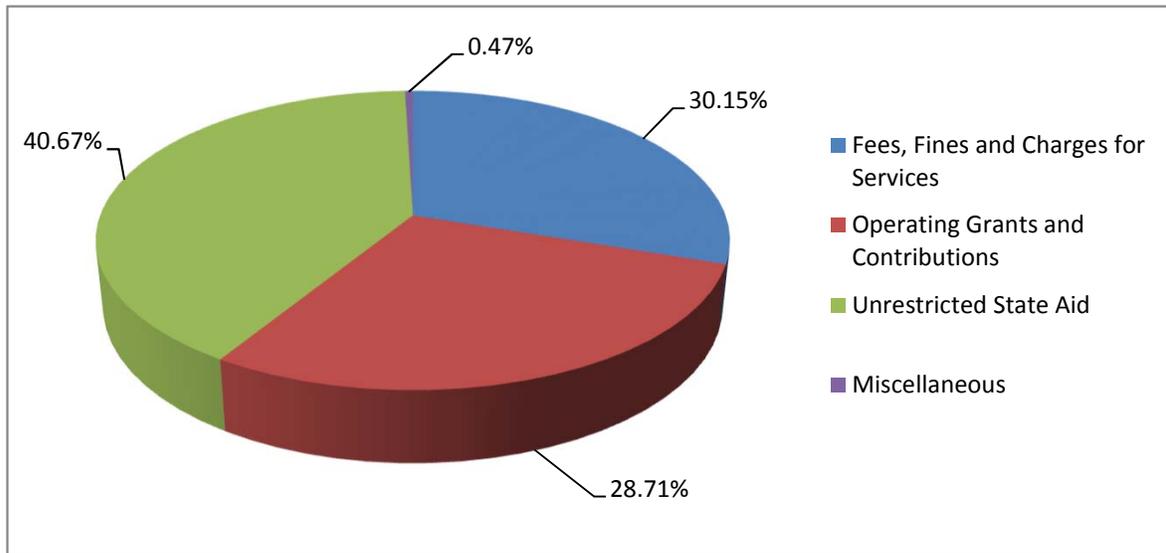
Net position of the Library System's governmental activities increased \$59,650 as a result of current year operations. Table 2 presents the key elements of the increase.

	Governmental Activities		Change
	2019	2018	
REVENUES			
Program Revenues			
Fees, Fines and Charges for Services	\$ 256,257	\$ 239,316	\$ 16,941
Operating Grants and Contributions	244,046	514,116	(270,070)
General Revenues			
Unrestricted State Aid	345,726	347,470	(1,744)
Investment Earnings	239	262	(23)
Miscellaneous	4,027	904	3,123
Total Revenues	<u>850,295</u>	<u>1,102,068</u>	<u>(251,773)</u>
EXPENSES			
Administration	245,913	254,653	(8,740)
Programs			
Inter Library Loan	50,188	44,822	5,366
Delivery	62,188	76,129	(13,941)
Automation/Cataloging/IT	232,288	248,358	(16,070)
Outreach		2,302	(2,302)
Services	56,343	340,500	(284,157)
Regional Legacy	132,878	134,036	(1,158)
Multi-Regional Legacy	10,847	16,822	(5,975)
Total Expenses	<u>790,645</u>	<u>1,117,622</u>	<u>(326,977)</u>
Change in Net Position	<u>59,650</u>	<u>(15,554)</u>	<u>75,204</u>
NET POSITION, BEGINNING OF YEAR	<u>(102,704)</u>	<u>(87,150)</u>	<u>(15,554)</u>
NET POSITION, END OF YEAR	<u>\$ (43,054)</u>	<u>\$ (102,704)</u>	<u>\$ 59,650</u>

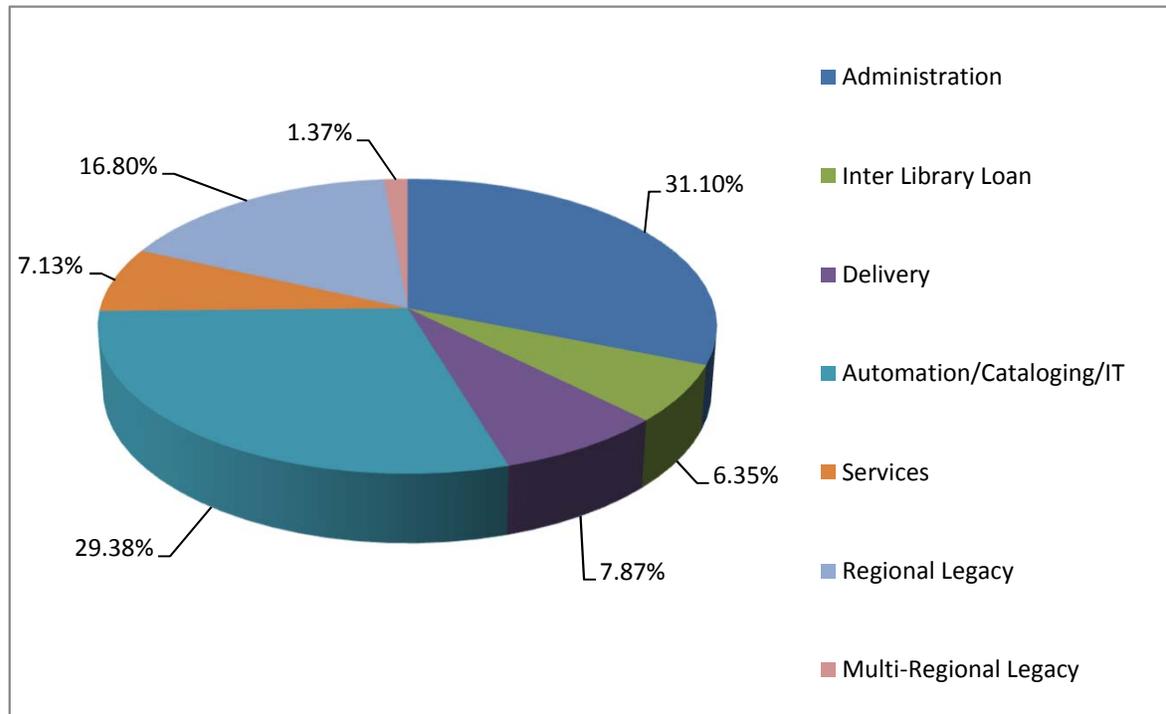
PLUM CREEK LIBRARY SYSTEM
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2019

Statement of Activities (Cont'd)

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



Expenditures - The following chart visually illustrates 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 \$30,988 for 2019. The increase is due to additional aid received from the counties to cover excess expenditures.

PLUM CREEK LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

General Fund Budgetary Highlights

The Library System revised budgeted amounts for revenues and expenditures but the net change in fund balance of \$17,230 remained the same. Actual revenues were \$30,988 over expenditures. Actual revenues and expenditures were less than final budgeted amounts due to a decrease in administrative personnel services and miscellaneous expenditures.

Capital Assets

The Library System had \$252,692 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 Liabilities

The Library System had \$21,642 in compensated absences payable. Total net pension liability totaled \$266,284. The Library System had no bonds or notes outstanding. Refer to Note 6 and Note 8 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, 2019

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2018

	Governmental Activities	
	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Cash on Hand	\$ 50	\$ 50
Cash in Bank	255,073	249,186
Accounts Receivable		
Libraries and Counties, Outreach and Other Charges	16,875	11,398
Due From Other Governments	37,270	34,675
Prepaid Items	19,770	17,414
Capital Assets, Net of Accumulated Deprecation	84,516	78,455
Total Assets	413,554	391,178
 Deferred Outflows of Resources	 73,818	 113,253
Total Assets and Deferred Outflows of Resources	\$ 487,372	\$ 504,431
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 16,994	\$ 7,872
Accrued Wages	5,024	8,126
Unearned Revenue	111,187	131,880
Long-Term Liabilities		
Net Pension Liability	266,284	344,732
Due in More than One Year	21,642	25,677
Total Liabilities	421,131	518,287
 Deferred Inflows of Resources	 109,295	 88,848
 Net Position		
Net Investment in Capital Assets	84,516	78,455
Restricted E-Rate	15,607	31,852
Unrestricted	(143,177)	(213,011)
Total Net Position	(43,054)	(102,704)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 487,372	\$ 504,431

See Accompanying Notes to the Financial Statements

PLUM CREEK LIBRARY SYSTEM

STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2018

	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	
					2019	2018
GOVERNMENTAL ACTIVITIES						
Administration	\$ 245,913	\$ 4,440	\$	\$	\$ (241,473)	\$ (250,213)
Programs						
Inter Library Loan	50,188				(50,188)	(44,822)
Delivery	62,188	57,286			(4,902)	(22,509)
Automation/Cataloging/IT	232,288	139,787	73,433		(19,068)	(42,976)
Outreach						(2,302)
Services	56,343	50,519	30,399		24,575	(575)
Regional Legacy	132,878		133,272		394	(1,023)
Multi-Regional Legacy	10,847	4,225	6,942		320	230
	<u>\$ 790,645</u>	<u>\$ 256,257</u>	<u>\$ 244,046</u>	<u>\$ 0</u>	<u>(290,342)</u>	<u>(364,190)</u>
GENERAL REVENUES						
State Aid Not Restricted to Specific Purposes					345,726	347,470
Investment Earnings					239	262
Miscellaneous					4,027	904
Total General Revenues					<u>349,992</u>	<u>348,636</u>
Change in Net Position					59,650	(15,554)
NET POSITION, BEGINNING OF YEAR					<u>(102,704)</u>	<u>(87,150)</u>
NET POSITION, END OF YEAR					<u>\$ (43,054)</u>	<u>\$ (102,704)</u>

See Accompanying Notes to the Financial Statements

PLUM CREEK LIBRARY SYSTEM

BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2019

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2018

	General	
	<u>2019</u>	<u>2018</u>
ASSETS		
Cash on Hand	\$ 50	\$ 50
Cash in Bank	255,073	249,186
Accounts Receivable		
Libraries and Counties and Other Charges	16,875	11,398
Due From Other Governments	37,270	34,675
Prepaid Items	<u>19,770</u>	<u>17,414</u>
Total Assets	<u>\$ 329,038</u>	<u>\$ 312,723</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 16,994	\$ 7,872
Accrued Wages	5,024	8,126
Unearned Revenue	111,187	131,880
Total Liabilities	<u>133,205</u>	<u>147,878</u>
Fund Balance		
Nonspendable	19,770	17,414
Restricted E-Rate	15,607	31,852
Committed	18,645	
Unassigned	141,811	115,579
Total Fund Balance	<u>195,833</u>	<u>164,845</u>
Total Liabilities and Fund Balance	<u>\$ 329,038</u>	<u>\$ 312,723</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, 2019
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2018

	<u>2019</u>	<u>2018</u>
Total Fund Balances - Governmental Fund	\$ 195,833	\$ 164,845
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	252,692	262,316
Less: Accumulated Depreciation	(168,176)	(183,861)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions	73,818	113,253
Deferred Inflows of Resources Related to Pensions	(109,295)	(88,848)
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.		
Net Pension Liability	(266,284)	(344,732)
Compensated Absences	(21,642)	(25,677)
	<u> </u>	<u> </u>
Total Net Position - Governmental Activities	<u>\$ (43,054)</u>	<u>\$ (102,704)</u>

PLUM CREEK LIBRARY SYSTEM

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND
 YEAR ENDED JUNE 30, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2018

	General	
	2019	2018
REVENUES		
Intergovernmental	\$ 559,373	\$ 568,020
Charges for Services	242,145	487,769
Miscellaneous	48,777	46,279
Total Revenues	<u>850,295</u>	<u>1,102,068</u>
EXPENDITURES		
Current		
Administration	246,754	235,881
Programs		
Inter Library Loan	52,665	50,849
Delivery	64,522	68,646
Automation/Cataloging/IT	238,188	231,537
Outreach		2,302
Services	56,343	340,500
Regional Legacy	133,275	133,409
Multi-Regional Legacy	10,907	16,612
Total Program Expenditures	<u>555,900</u>	<u>843,855</u>
Total Current Expenditures	<u>802,654</u>	<u>1,079,736</u>
Capital Outlay		
Administration	6,634	2,948
Programs		
Delivery		4,519
Automation/Cataloging/IT	10,019	2,510
Total Capital Outlay	<u>16,653</u>	<u>9,977</u>
Total Expenditures	<u>819,307</u>	<u>1,089,713</u>
Net Change in Fund Balance	30,988	12,355
FUND BALANCE, BEGINNING OF YEAR	<u>164,845</u>	<u>152,490</u>
FUND BALANCE, END OF YEAR	<u>\$ 195,833</u>	<u>\$ 164,845</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, 2019
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2018

	<u>2019</u>	<u>2018</u>
Total Net Change in Fund Balance - Governmental Fund	\$ 30,988	\$ 12,355
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	16,653	1,461
Depreciation Expense	(10,434)	(8,787)
Disposal of Capital Assets	(26,277)	
Accumulated Depreciation Related to Disposed Capital Assets	26,119	
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).		
Pensions	18,566	(20,916)
Compensated Absences	<u>4,035</u>	<u>343</u>
Change in Net Position - Governmental Activities	<u>\$ 59,650</u>	<u>\$ (15,544)</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, 2019

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ 570,764	\$ 564,414	\$ 559,373	\$ (5,041)
Charges for Services	249,398	249,398	242,145	(7,253)
Miscellaneous	48,720	48,720	48,777	57
Total Revenues	<u>868,882</u>	<u>862,532</u>	<u>850,295</u>	<u>(12,237)</u>
EXPENDITURES				
Current				
Administration	257,092	260,592	246,754	(13,838)
Programs				
Inter Library Loan	52,628	52,628	52,665	37
Delivery	68,664	66,814	64,522	(2,292)
Automation/Cataloging/IT	258,154	254,154	238,188	(15,966)
Services	68,935	68,935	56,343	(12,592)
Regional Legacy	125,167	118,817	133,275	14,458
Multi-Regional Legacy	16,945	16,945	10,907	(6,038)
Total Programs	<u>590,493</u>	<u>578,293</u>	<u>555,900</u>	<u>(22,393)</u>
Total Current Expenditures	<u>847,585</u>	<u>838,885</u>	<u>802,654</u>	<u>(36,231)</u>
Capital Outlay				
Administration	4,067	6,417	6,634	217
Programs				
Automation/Cataloging/IT			10,019	10,019
Total Capital Outlay	<u>4,067</u>	<u>6,417</u>	<u>16,653</u>	<u>10,236</u>
Total Expenditures	<u>851,652</u>	<u>845,302</u>	<u>819,307</u>	<u>(25,995)</u>
Net Change in Fund Balance	<u>\$ 17,230</u>	<u>\$ 17,230</u>	30,988	<u>\$ 13,758</u>
FUND BALANCE, BEGINNING OF YEAR			<u>164,845</u>	
FUND BALANCE, END OF YEAR			<u>\$ 195,833</u>	

See Accompanying Notes to the Financial Statements

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PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019

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, 2019

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

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION, AND FUND BALANCE

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 the obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies who's only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, futures contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days, as well as certain first mortgage notes, and certain other state or local government obligations. 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 that further limits its collateral choices.

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 acquisition 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, 2019

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

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION, AND FUND BALANCE (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 liabilities and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts 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. 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 their 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, 2019

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

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION, AND FUND BALANCE (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 one item that qualifies for reporting in this category on the government-wide Statement of Net Position 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, 2019

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

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION, AND FUND BALANCE (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 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, 2018, from which the partial information was derived.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. VIOLATIONS OF FINANCE-RELATED OBLIGATIONS

There were no violations of finance-related obligations.

B. DEFICIT FUND BALANCES

The Library System had no deficit fund balances.

C. EXCESS OF EXPENDITURES OVER BUDGET

There were no expenditures over budget.

NOTE 3. DEPOSITS

In accordance with applicable Minnesota Statutes, the Library System maintains deposits at depository banks authorized by the Governing Board.

Cash on hand and cash deposits are as follows:

Cash on Hand	\$	50
Cash in Bank		<u>255,073</u>
Total	\$	<u><u>255,123</u></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:

	Total <u>Receivables</u>	Amounts not Scheduled for Collection During the Subsequent Year <u>Year</u>
Libraries and Counties and Other Charges		
Libraries and Counties	\$ 1,783	\$
E-Rate	<u>15,092</u>	<u> </u>
Total Receivables	<u><u>\$ 16,875</u></u>	<u><u>\$ 0</u></u>
Due From Other Governments		
State of Minnesota - Basic System Support	<u><u>\$ 37,270</u></u>	<u><u>\$ 0</u></u>

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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	33,316			33,316
Library Equipment	34,367		(15,023)	19,344
Office Equipment and Furniture	79,345	16,653	(11,254)	84,744
Total Capital Assets, Being Depreciated	262,316	16,653	(26,277)	252,692
Less Accumulated Depreciation for				
Buildings	57,994	2,795		60,789
Vehicles	33,316			33,316
Library Equipment	30,341	1,365	(15,023)	16,683
Office Equipment & Furniture	62,210	6,274	(11,096)	57,388
Total Accumulated Depreciation	183,861	10,434	(26,119)	168,176
Total Capital Assets, Being Depreciated, Net	78,455	6,219	(158)	84,516
Governmental Activities Net Capital Assets	<u>\$ 78,455</u>	<u>\$ 6,219</u>	<u>\$ (158)</u>	<u>\$ 84,516</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities Administration	<u>\$ 10,434</u>
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NOTE 6. LONG TERM LIABILITIES

A summary of changes in long-term liabilities is:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u> Compensated Absences	<u>\$ 25,677</u>	<u>\$ 43,190</u>	<u>\$ (47,225)</u>	<u>\$ 21,642</u>	<u>\$ 0</u>

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7. UNEARNED REVENUE

Schedule of the unearned revenue is:

Legacy Funds	\$ 84,524
E-Books	12,553
One Click Digital	<u>14,110</u>
Total	<u><u>\$ 111,187</u></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 plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (GERP; General Employees Plan; accounted for in the General Employees Fund):

All full-time and certain part-time employees of the Library System are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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. 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.

General Employees Plan 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service, and 2.7% for Basic members. The accrual rates for former MERF members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. 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.

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

C. CONTRIBUTIONS

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019; the Library System was required to contribute 7.50 percent for Coordinated Plan members. The Library System's contributions to the General Employees Fund for the year ended June 30, 2019 were \$25,357. The Library System's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

At June 30, 2019 the Library System reported a liability of \$266,284 for its proportionate share of the General Employees Fund's net pension liability. The Library System net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Library System totaled \$8,810. The net pension liability was measured as of June 30, 2018 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019 the Library System's proportion share was 0.0048% which was an decrease of 0.0006% from its proportion measured as of June 30, 2018.

Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.

For the year ended June 30, 2019, the Library System recognized pension expense of \$8,050 for its proportionate share of GERP's pension expense. In addition, the Library System recognized an additional \$2,054 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

D. PENSION COSTS (Cont'd)

At June 30, 2019, the Library System reported its proportionate share of GERP'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	\$ 7,890	\$ 9,223
Changes in actuarial assumptions	30,206	32,479
Differences between projected and actual investment earnings		26,686
Changes in proportion	10,365	40,907
Contributions paid to PERA subsequent to measurement date	<u>23,357</u>	
Total	<u>\$ 71,818</u>	<u>\$ 109,295</u>

\$25,357 reported as deferred outflows of resources related to pensions resulting from Library System contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Pension Expense Amount</u>
2020	\$ 7,445
2021	(29,913)
2022	(32,808)
2023	(5,558)

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2018 actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

<u>Assumption</u>	
Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year after 26 years of service
Investment Rate of Return	7.50%

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method. Inflation is assumed to be 2.50 percent for the General Employees Plan. Salary growth assumptions in the General Employees Plan decrease in annual increments from 11.25 percent after one year of service, to 3.25 percent after 26 years of service.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

E. ACTUARIAL ASSUMPTIONS (Cont'd)

Mortality rates for all plans are based on RP-2014 mortality tables. The tables are adjusted slightly to fit PERA's experience. Actuarial assumptions for the General Employees Plan are reviewed every four to six years. The most recent six-year experience study for the General Employees Plan was completed in 2015.

The following changes in actuarial assumptions occurred since the 2017 valuation:

The mortality projection scale was changed from MP-2015 to MP-2017.

The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%
	100%	

F. DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund. 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 paragraphs, 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:

	GERP	
1% Lower	6.50%	\$ 432,746
Current Discount Rate	7.50%	266,284
1% Higher	8.50%	128,875

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

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

H. PENSION PLAN FIDUCIARY NET POSITION

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 9. FUND BALANCE

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

Nonspendable	
Prepaid Items	\$ 19,770
Restricted E-Rate	15,607
Committed	
Automation/Technology	11,075
Vehicle Replacement	7,570
Unassigned	<u>141,811</u>
Total Fund Balance	<u>\$ 195,833</u>

NOTE 10. CURRENT VULNERABILITY DUE TO CONCENTRATION

The Library System receives approximately 66% 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, 2019 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. 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.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The following is a summary of the major components of deferred outflows and inflows as presented in the Statement of Net Position:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Related to Pensions	<u>\$ 73,818</u>	<u>\$ 109,295</u>

REQUIRED SUPPLEMENTARY INFORMATION

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PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2019

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) and the State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (a+b)	Employer's Covered- Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>PERA</u>							
6/30/2018	0.0048%	\$ 266,284	\$ 8,810	\$ 275,094	\$ 331,169	83.07%	79.53%
6/30/2017	0.0054%	344,732	4,332	349,064	353,871	98.64%	75.90%
6/30/2016	0.0057%	462,811	6,071	468,882	354,025	132.44%	68.91%
6/30/2015	0.0049%	253,944		253,944	273,187	92.96%	78.20%
6/30/2014	0.0052%	244,270		244,270	270,887	90.17%	78.70%

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

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF EMPLOYER CONTRIBUTIONS
JUNE 30, 2019

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Payroll (d)	Contributions as a Percentage of Covered- Payroll (b/d)
<u>GERP</u>					
6/30/2019	\$ 25,357	\$ 25,357	\$	\$ 338,095	7.50%
6/30/2018	24,846	24,846		331,169	7.50%
6/30/2017	26,537	26,537		353,871	7.50%
6/30/2016	26,549	26,549		354,025	7.50%
6/30/2015	20,489	20,489		273,187	7.50%

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

PLUM CREEK LIBRARY SYSTEM

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1. CHANGES IN PLAN PROVISIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP):

2018 Changes:
No changes.

2017 Changes:
No changes.

2016 Changes:
No changes.

2015 Changes:
On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

2014 Changes:
No changes.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP):

2018 Changes:
The morality projection was changed from MP-2015 to MP-2017.

The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2017 Changes:
The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.

The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes:
The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all years.

The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

PLUM CREEK LIBRARY SYSTEM

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP): (Cont'd)

2015 Changes:

The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

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, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2018

	2019				2018
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
REVENUES					
Intergovernmental					
Federal Grants and Aids					
Federal E-Rate Funds	\$ 67,000	\$ 67,000	\$ 54,256	\$ (12,744)	\$ 55,493
State Grants and Aids					
Basic System Support	345,650	345,650	345,004	(646)	346,748
MN Legacy Funds	137,112	130,762	140,214	9,452	144,077
RLTA Aid	16,000	16,000	14,943	(1,057)	16,820
MN Link Gateway	4,280	4,280	4,234	(46)	4,160
PERA Aid	722	722	722		722
Total State Grants and Aids	<u>503,764</u>	<u>497,414</u>	<u>505,117</u>	<u>7,703</u>	<u>512,527</u>
Total Intergovernmental	<u>570,764</u>	<u>564,414</u>	<u>559,373</u>	<u>(5,041)</u>	<u>568,020</u>
Charges for Services					
County Charges	22,500	22,500	22,500		286,568
Automation/IT	139,612	139,612	139,787	175	128,909
Delivery	57,286	57,286	57,286		53,620
Specialty Items Reimbursed	30,000	30,000	22,572	(7,428)	18,672
Total Charges for Services	<u>249,398</u>	<u>249,398</u>	<u>242,145</u>	<u>(7,253)</u>	<u>487,769</u>
Miscellaneous					
Interest Income	250	250	239	(11)	262
E- Book Income	27,135	27,135	27,947	812	27,687
Pioneerland Legacy	5,000	5,000	4,225	(775)	5,988
One Click Digital Subscriptions	11,800	11,800	7,899	(3,901)	6,998
Miscellaneous	110	110	4,027	3,917	904
Rent	4,425	4,425	4,440	15	4,440
Total Miscellaneous	<u>48,720</u>	<u>48,720</u>	<u>48,777</u>	<u>57</u>	<u>46,279</u>
Total Revenues	<u>868,882</u>	<u>862,532</u>	<u>850,295</u>	<u>(12,237)</u>	<u>1,102,068</u>
EXPENDITURES					
Current					
Administration					
Personal Services					
Salaries and Wages	149,417	156,217	153,913	(2,304)	143,687
Payroll Taxes	22,712	24,062	23,626	(436)	22,730
Health and Life Insurance	31,587	29,757	24,498	(5,259)	23,278
Insurance	3,744	3,744	3,867	123	4,313
Workers' Compensation Insurance	1,080	1,080	974	(106)	2,446
Total Personal Services	<u>208,540</u>	<u>214,860</u>	<u>206,878</u>	<u>(7,982)</u>	<u>196,454</u>
Supplies					
Office Supplies, Printing and Stationery	3,000	4,430	3,939	(491)	2,758
Postage	900	900	587	(313)	938
Total Supplies	<u>3,900</u>	<u>5,330</u>	<u>4,526</u>	<u>(804)</u>	<u>3,696</u>

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2018

	2019				2018
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Administration (Cont'd)					
Other Services and Charges					
Publications, Subscriptions and Dues	\$ 2,000	\$ 1,550	\$ 1,723	\$ 173	\$ 1,972
Telephone	2,000	2,000	1,822	(178)	2,512
Travel, Meetings and Seminars	11,450	7,650	5,952	(1,698)	8,034
Professional Services for Audit	9,595	9,595	9,595		9,250
Equipment Maintenance and Repairs	7,400	7,400	7,661	261	6,029
Real Estate Taxes	312	312	302	(10)	333
Miscellaneous	5,645	5,645	1,908	(3,737)	1,847
Utilities	6,250	6,250	6,387	137	5,754
Total Other Services and Charges	44,652	40,402	35,350	(5,052)	35,731
Total Administration	257,092	260,592	246,754	(13,838)	235,881
Programs					
Inter Library Loan					
Personal Services					
Salaries and Wages	38,875	38,575	38,901	326	38,050
Payroll Taxes	5,890	5,890	5,579	(311)	5,528
Health and Life Insurance	7,513	7,813	7,697	(116)	6,929
Workers' Compensation Insurance	300	300	244	(56)	331
Total Personal Services	52,578	52,578	52,421	(157)	50,838
Other Services and Charges					
Miscellaneous	50	50	244	194	11
Total Inter Library Loan	52,628	52,628	52,665	37	50,849
Delivery					
Personal Services					
Salaries and Wages	39,306	35,956	33,303	(2,653)	32,612
Payroll Taxes	5,547	5,547	4,983	(564)	4,754
Health and Life Insurance	1,713	2,213	2,155	(58)	5,576
Workers' Compensation Insurance	248	248	348	100	478
Total Personal Services	46,814	43,964	40,789	(3,175)	43,420
Other Services and Charges					
Rent	1,500	1,500	1,500		1,500
Vehicle Repair, Maintenance and Insurance	20,350	21,350	21,068	(282)	20,298
Other			1,165	1,165	3,428
Total Other Services and Charges	21,850	22,850	23,733	883	25,226
Total Delivery	68,664	66,814	64,522	(2,292)	68,646

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2018

	2019				2018
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Programs (Cont'd)					
Automation/Cataloging/IT					
Personal Services					
Salaries and Wages	\$ 95,305	\$ 94,305	\$ 91,016	\$ (3,289)	\$ 91,211
Payroll Taxes	14,438	14,438	13,456	(982)	13,505
Health and Life Insurance	21,416	23,381	21,958	(1,423)	19,806
Workers' Compensation Insurance	619	619	659	40	1,254
Total Personal Services	<u>131,778</u>	<u>132,743</u>	<u>127,089</u>	<u>(5,654)</u>	<u>125,776</u>
Other Services and Charges					
Telephone	1,620	1,620	1,366	(254)	1,204
Software and Hardware Repair and Maintenance and Travel	11,425	8,220	4,575	(3,645)	7,480
Telecommunications	70,000	70,000	71,485	1,485	69,708
Library Expense - Automation	28,000	28,000	21,351	(6,649)	18,354
Dialog and Searches	12,331	13,569	12,322	(1,247)	7,468
Continuing Education	3,000	2		(2)	1,547
Total Other Services and Charges	<u>126,376</u>	<u>121,411</u>	<u>111,099</u>	<u>(10,312)</u>	<u>105,761</u>
Total Automation/Cataloging/IT	<u>258,154</u>	<u>254,154</u>	<u>238,188</u>	<u>(15,966)</u>	<u>231,537</u>
Outreach					
Other Services and Charges					
Miscellaneous					2,302
Total Outreach	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,302</u>
Services					
Specialty Items	30,000	30,000	20,496	(9,504)	19,247
E-Book Contract and Collections	27,135	27,135	27,947	812	27,687
Collections	11,800	11,800	7,900	(3,900)	6,998
County Aid to Libraries					286,568
Total Services	<u>68,935</u>	<u>68,935</u>	<u>56,343</u>	<u>(12,592)</u>	<u>340,500</u>
Regional Legacy					
Personal Services					
Salaries and Wages	15,880	10,880	12,789	1,909	18,646
Payroll Taxes	2,406	1,056	1,087	31	1,258
Health Insurance	2,974	2,974	2,974		5,744
Total Personal Services	<u>21,260</u>	<u>14,910</u>	<u>16,850</u>	<u>1,940</u>	<u>25,648</u>
Supplies					
Program Supplies	1,500	1,500	1,631	131	1,006

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2018

	2019				2018
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Programs (Cont'd)					
Regional Legacy (Cont'd)					
Other Services and Charges					
Advertising	\$ 3,000	\$ 6,000	\$ 8,724	\$ 2,724	\$ 9,282
Travel and Maintenance	100	100	307	207	280
Speaker Contracts	97,257	94,257	104,577	10,320	96,389
Miscellaneous	2,050	2,050	1,186	(864)	804
Total Other Services and Charges	<u>102,407</u>	<u>102,407</u>	<u>114,794</u>	<u>12,387</u>	<u>106,755</u>
Total Regional Legacy	125,167	118,817	133,275	14,458	133,409
Multi-Regional Legacy					
Personal Services					
Salaries and Wages	3,780	3,780	1,098	(2,682)	2,417
Payroll Taxes	572	572	168	(404)	346
Health Insurance	2,974	2,974	2,974		5,744
Total Personal Services	<u>7,326</u>	<u>7,326</u>	<u>4,240</u>	<u>(3,086)</u>	<u>8,507</u>
Supplies					
Program Supplies	2,950	2,950	344	(2,606)	16
Other Services and Charges					
Advertising	519	519	134	(385)	
Travel	400	400	743	343	743
Speaker Contracts	5,000	5,000	5,112	112	7,346
Miscellaneous	750	750	334	(416)	
Total Other Services and Charges	<u>6,669</u>	<u>6,669</u>	<u>6,323</u>	<u>(346)</u>	<u>8,089</u>
Total Multi-Regional Legacy	<u>16,945</u>	<u>16,945</u>	<u>10,907</u>	<u>(6,038)</u>	<u>16,612</u>
Total Program Expenditures	<u>590,493</u>	<u>578,293</u>	<u>555,900</u>	<u>(22,393)</u>	<u>843,855</u>
Total Current Expenditures	<u>847,585</u>	<u>838,885</u>	<u>802,654</u>	<u>(36,231)</u>	<u>1,079,736</u>
Capital Outlay					
Administration	4,067	6,417	6,634	217	2,948
Programs					
Delivery					4,519
Automation/Cataloging/IT			10,019	10,019	2,510
Total Capital Outlay	<u>4,067</u>	<u>6,417</u>	<u>16,653</u>	<u>10,236</u>	<u>9,977</u>
Total Expenditures	<u>851,652</u>	<u>845,302</u>	<u>819,307</u>	<u>(25,995)</u>	<u>1,089,713</u>
Net Change in Fund Balance	<u>\$ 17,230</u>	<u>\$ 17,230</u>	30,988	<u>\$ 13,758</u>	12,355
FUND BALANCE, BEGINNING OF YEAR			<u>164,845</u>		<u>152,490</u>
FUND BALANCE, END OF YEAR			<u>\$ 195,833</u>		<u>\$ 164,845</u>

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, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Plum Creek Library System's, basic financial statements, and have issued our report thereon dated October 16, 2019.

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 that we did not test for compliance in public indebtedness and tax increment financing because the Library System does not have public indebtedness or 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

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
WILLMAR, MINNESOTA

October 16, 2019

Willmar Office 331 Third St SW, Ste 2 PO Box 570 Willmar, MN 56201 (320) 235-3311 (888) 388-1040	Benson Office 1209 Pacific Ave, Ste 3 Benson, MN 56215 (320) 843-2302	Morris Office 401 Atlantic Ave Morris, MN 56267 (320) 589-2602	Litchfield Office 820 Sibley Ave N Litchfield, MN 55355 (320) 693-7975	Sartell Office Ste 110 2351 Connecticut Ave Sartell, MN 56377 (320) 252-7565 (800) 862-1337
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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, 2019, 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 16, 2019.

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 2019-001 and 2019-002 as described in the accompanying Schedule of Findings to be material weaknesses.

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Morris, MN 56267
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Litchfield Office
820 Sibley Ave N
Litchfield, MN 55355
(320) 693-7975

Sartell Office
Ste 110
2351 Connecticut Ave
Sartell, MN 56377
(320) 252-7565
(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
CPAS & ADVISORS
WILLMAR, MINNESOTA

October 16, 2019

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2019

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

FINDING: 2019-001 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.

CORRECTIVE ACTION PLAN (CAP)

Explanation of Disagreement with Audit Findings:
None

Actions Planned in Response to Finding:

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.

Officials Responsible for Ensuring CAP:

Cleo Wicks, Financial Administrator

Planned Completion Date of CAP:

June 30, 2020

Plan to Monitor Completion of CAP:

Governing Board

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2019

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

FINDING: 2019-002 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.

CORRECTIVE ACTION PLAN (CAP)

Explanation of Disagreement with Audit Findings:
None

Actions Planned in Response to Finding:

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.

Officials Responsible for Ensuring CAP:

Cleo Wicks, Financial Administrator

Planned Completion Date of CAP:

June 30, 2020

Plan to Monitor Completion of CAP:

Governing Board

PLUM CREEK LIBRARY SYSTEM

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
 JUNE 30, 2019

<u>Finding Reference</u>	<u>Finding Title</u>	<u>Status</u>	<u>Year Finding Initially Occurred</u>	<u>If Not Corrected, Provide Planned Corrective Action or Other Explanation</u>
Financial Statement Findings:				
2018-001	Limited Segregation of Duties	Not Corrected	2011	See current year finding 2019-001
2018-002	Auditor Prepared Financial Statements	Not Corrected	2011	See current year finding 2019-002

Minnesota Legal Compliance Findings:

None