

PLUM CREEK LIBRARY SYSTEM  
AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

JUNE 30, 2023

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

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PLUM CREEK LIBRARY SYSTEM

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JUNE 30, 2023

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## INDEPENDENT AUDITOR'S REPORT

The Governing Board  
Plum Creek Library System  
Worthington, Minnesota

### Report on the Audit of the Financial Statements

#### *Opinions*

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, 2023, 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.

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, 2023, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Library System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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**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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit 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 Library System's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Report on Partial Comparative Information***

We have previously audited the Library System's 2022 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated October 19, 2022. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived. Refer to Note 16 of the Notes to the Financial Statements for additional information regarding the prior year partial comparative information.

### ***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, the Schedule of Employer Contributions and the Notes to the Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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. Such 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic 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 18, 2023, 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 18, 2023

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REQUIRED SUPPLEMENTARY INFORMATION

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## PLUM CREEK LIBRARY SYSTEM

### MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023

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, 2023. 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 \$15,371 from June 30, 2022.
- General Fund balance increased by \$51,558 from the prior year. The prior year fund balance increased by \$80,646. The lower increase was primarily due to the increase in administrative expenditures in the current year.

#### 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, 2023

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 11-15 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 16-32 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
	2023	2022	
Current and Other Assets	\$ 810,201	\$ 824,886	\$ (14,685)
Net Capital and Right to Use Assets	165,219	179,726	(14,507)
Total Assets	975,420	1,004,612	(29,192)
Deferred Outflows of Resources	140,568	125,044	15,524
Total Assets and Deferred Outflows of Resources	\$ 1,115,988	\$ 1,129,656	\$ (13,668)
Current Liabilities	\$ 258,078	\$ 324,321	\$ (66,243)
Long-Term Liabilities	445,031	248,077	196,954
Total Liabilities	703,109	572,398	130,711
Deferred Inflows of Resources	16,879	176,629	(159,750)
Net Position			
Net Investment in Capital Assets	107,211	134,745	(27,534)
Unrestricted	288,789	245,884	42,905
Total Net Position	396,000	380,629	15,371
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,115,988	\$ 1,129,656	\$ (13,668)

PLUM CREEK LIBRARY SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

Statement of Activities

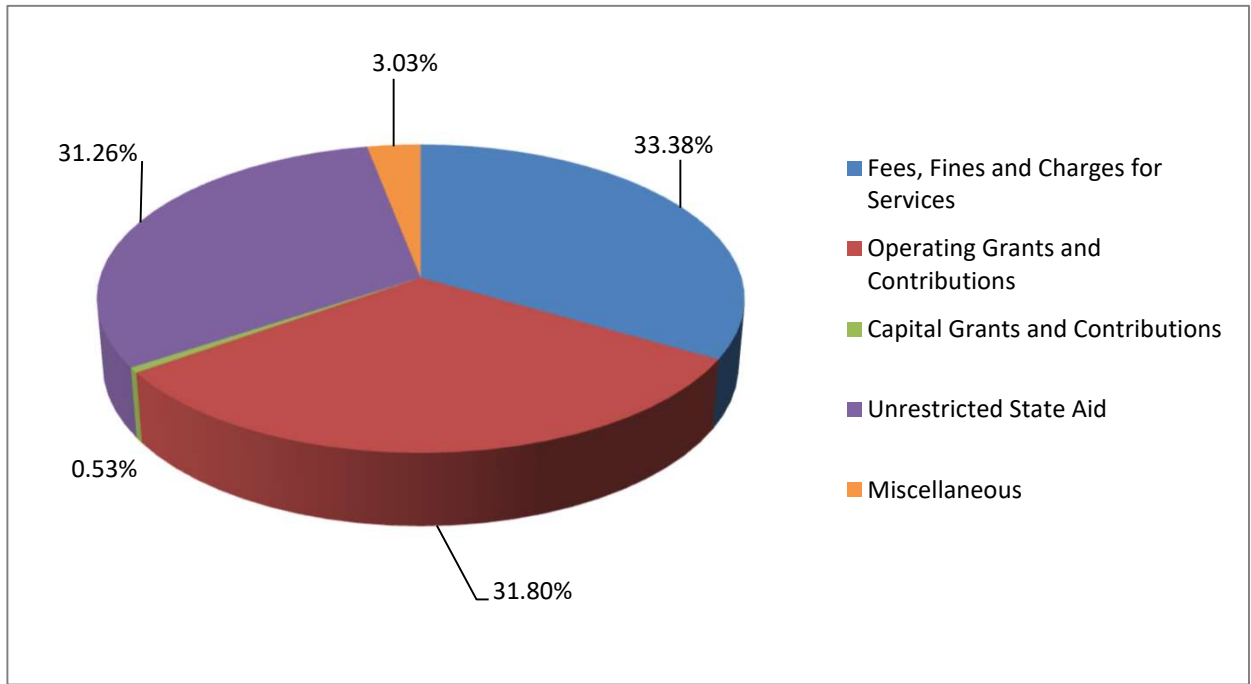
Net position of the Library System's governmental activities increased \$15,371 as a result of current year operations. Table 2 presents the key elements of the increase.

	Governmental Activities		Change
	2023	2022	
<b>REVENUES</b>			
Program Revenues			
Fees, Fines and Charges for Services	\$ 363,525	\$ 281,859	\$ 81,666
Operating Grants and Contributions	346,295	348,609	(2,314)
Capital Grants and Contributions	5,740		5,740
General Revenues			
Unrestricted State Aid	340,198	341,912	(1,714)
Investment Earnings	286	70	216
Miscellaneous	33,051	29,250	3,801
Gain on Sale of Asset		4,550	(4,550)
Total Revenues	1,089,095	1,006,250	82,845
<b>EXPENSES</b>			
Administration	315,127	227,342	87,785
Programs			
Inter Library Loan	62,403	50,416	11,987
Delivery	73,930	62,935	10,995
Automation/Cataloging/IT	239,693	230,487	9,206
Services	107,986	30,953	77,033
Regional Legacy	130,711	89,727	40,984
Multi-Regional Legacy	14,903	6,605	8,298
RLTA Category 3/Priority 2	100,839	139,024	(38,185)
ARPA Grant	28,132	41,400	(13,268)
Total Expenses	1,073,724	878,889	194,835
Change in Net Position	15,371	127,361	(111,990)
<b>NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED</b>			
	380,629	253,230	127,399
<b>PRIOR PERIOD ADJUSTMENT</b>			
		38	(38)
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>			
	380,629	253,268	127,361
<b>NET POSITION, END OF YEAR</b>			
	\$ 396,000	\$ 380,629	\$ 15,371

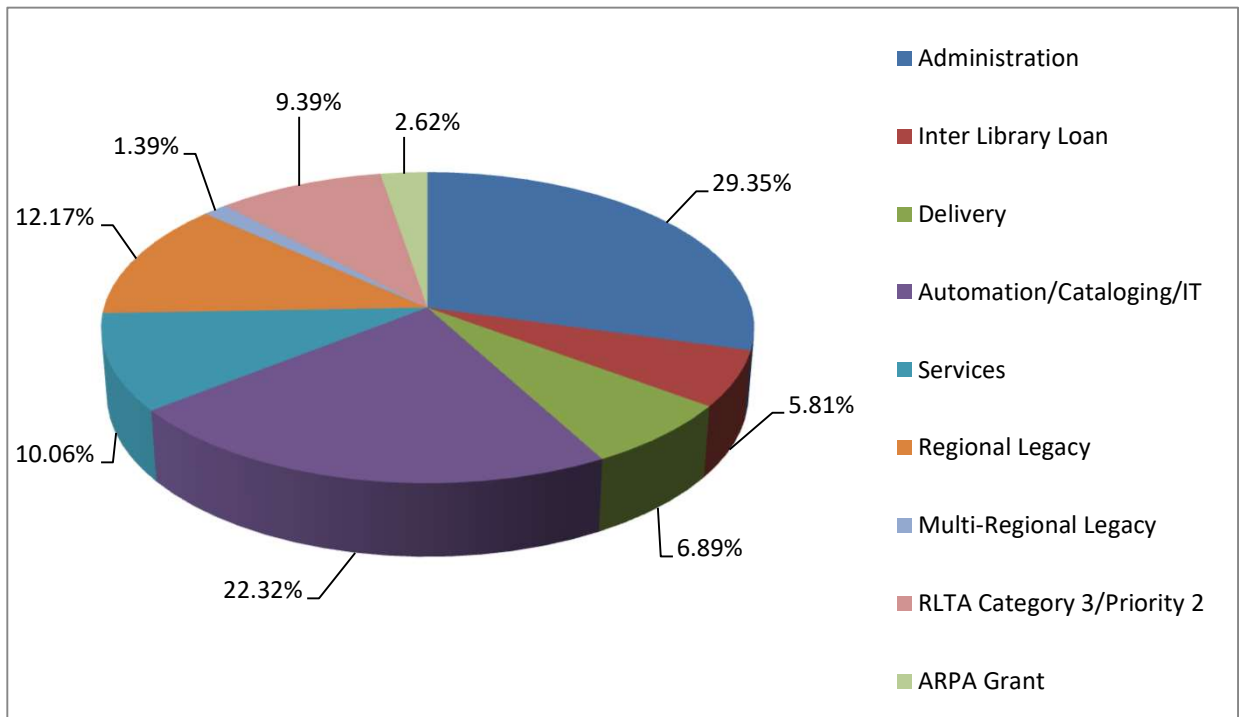
PLUM CREEK LIBRARY SYSTEM  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 JUNE 30, 2023

Statement of Activities (Cont'd)

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



Expenses - The following chart visually illustrates the Library System's expense by source.



PLUM CREEK LIBRARY SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2023

Financial Analysis of the General Fund Activity

General Fund - The increase in the Library System's General Fund Balance was \$51,558 for 2023. The increase in the prior fiscal year fund balance was \$80,646. The lower increase can be attributed to an increase in administration expenditures.

General Fund Budgetary Highlights

The Library System budgeted for revenues over expenditures of \$13,846. Actual revenues were \$51,558 over expenditures. The increase was due to lower delivery and automation, cataloging and IT services.

Capital and Right to Use Assets

The Library System had \$436,081 invested in a broad range of capital and right to use assets. Refer to Note 5 of the Notes to the Financial Statements for a schedule showing the Library System's capital and right to use asset activity.

Long-Term Liabilities

The Library System had \$38,542 in compensated absences payable. Long-term leases and subscriptions totaled \$58,008. Net pension liability totaled \$348,481. The Library System had no bonds or notes outstanding. Refer to Note 6, Note 7, Note 8 and Note 10 of the Notes to the Financial Statements for a schedule showing the Library System's long-term liabilities 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, 2023

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2022

	Governmental Activities	
	2023	2022
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
Assets		
Cash on Hand	\$ 50	\$ 50
Cash in Bank	727,917	723,747
Accounts Receivable		
Libraries and Counties, Outreach and Other Charges	11,395	13,325
Due From Other Governments	44,681	61,480
Prepaid Items	26,158	26,284
Capital and Right to Use Assets, Net of Accumulated Depreciation and Amortization	165,219	179,726
Total Assets	975,420	1,004,612
Deferred Outflows of Resources	140,568	125,044
Total Assets and Deferred Outflows of Resources	\$ 1,115,988	\$ 1,129,656
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 9,550	\$ 7,946
Accrued Wages	17,177	14,691
Unearned Revenue	231,351	301,684
Long-Term Liabilities		
Net Pension Liability	348,481	162,277
Due Within One Year	24,498	14,989
Due in More than One Year	72,052	70,811
Total Liabilities	703,109	572,398
Deferred Inflows of Resources	16,879	176,629
Net Position		
Net Investment in Capital Assets	107,211	134,745
Unrestricted	288,789	245,884
Total Net Position	396,000	380,629
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,115,988	\$ 1,129,656

See Accompanying Notes to the Financial Statements

PLUM CREEK LIBRARY SYSTEM

STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2023  
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2022

	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	
					2023	2022
<b>GOVERNMENTAL ACTIVITIES</b>						
Administration	\$ 315,127	\$ 5,582	\$	\$	\$ (309,545)	\$ (221,942)
Programs						
Inter Library Loan	62,403				(62,403)	(50,416)
Delivery	73,930	66,810		5,740	(1,380)	485
Automation/Cataloging/IT	239,693	178,635	61,562		504	838
Services	107,986	109,238			1,252	7,449
Regional Legacy	130,711		130,315		(396)	1,581
Multi-Regional Legacy	14,903	3,260	12,732		1,089	(397)
RLTA Category/Priority 2	100,839		104,473		3,634	(8,270)
ARPA Grant	28,132		37,213		9,081	22,251
<b>Total Governmental Activities</b>	<b>\$ 1,073,724</b>	<b>\$ 363,525</b>	<b>\$ 346,295</b>	<b>\$ 5,740</b>	<b>(358,164)</b>	<b>(248,421)</b>
<b>GENERAL REVENUES</b>						
State Aid Not Restricted to Specific Purposes					340,198	341,912
Investment Earnings					286	70
Miscellaneous					33,051	29,250
Gain on Sale of Asset						4,550
Total General Revenues					373,535	375,782
Change in Net Position					15,371	127,361
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED					380,629	253,230
PRIOR PERIOD ADJUSTMENT						38
NET POSITION, BEGINNING OF YEAR, AS RESTATED					380,629	253,268
NET POSITION, END OF YEAR					\$ 396,000	\$ 380,629

See Accompanying Notes to the Financial Statements

PLUM CREEK LIBRARY SYSTEM

BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2023

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2022

	General	
	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash on Hand	\$ 50	\$ 50
Cash in Bank	727,917	723,747
Accounts Receivable		
Libraries and Counties and Other Charges	11,395	13,325
Due From Other Governments	44,681	61,480
Prepaid Items	<u>26,158</u>	<u>26,284</u>
Total Assets	<u>\$ 810,201</u>	<u>\$ 824,886</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts Payable	\$ 9,550	\$ 7,946
Accrued Wages	17,177	14,691
Unearned Revenue	<u>231,351</u>	<u>301,684</u>
Total Liabilities	258,078	324,321
<b>Fund Balance</b>		
Nonspendable	26,158	26,284
Committed	96,832	60,752
Unassigned	<u>429,133</u>	<u>413,529</u>
Total Fund Balance	<u>552,123</u>	<u>500,565</u>
Total Liabilities and Fund Balance	<u>\$ 810,201</u>	<u>\$ 824,886</u>

PLUM CREEK LIBRARY SYSTEM

RECONCILIATION OF THE GOVERNMENTAL FUND  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2023  
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2022

	<u>2023</u>	<u>2022</u>
Total Fund Balances - Governmental Fund	\$ 552,123	\$ 500,565
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital and right to use assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.		
Capital and Right to Use Assets	436,081	408,671
Less: Accumulated Depreciation	(200,259)	(186,218)
Less: Accumulated Amortization	(70,603)	(42,727)
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	140,568	125,044
Deferred Inflows of Resources Related to Pensions	(16,879)	(176,629)
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	(348,481)	(162,277)
Long-Term Leases	(7,113)	(11,200)
Long-Term Subscriptions	(50,895)	(33,781)
Compensated Absences	(38,542)	(40,819)
Total Net Position - Governmental Activities	<u>\$ 396,000</u>	<u>\$ 380,629</u>

PLUM CREEK LIBRARY SYSTEM

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUND  
 YEAR ENDED JUNE 30, 2023  
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2022

	General	
	2023	2022
<b>REVENUES</b>		
Intergovernmental	\$ 692,233	\$ 690,521
Charges for Services	297,801	288,847
Miscellaneous	99,061	26,882
Total Revenues	<u>1,089,095</u>	<u>1,006,250</u>
<b>EXPENDITURES</b>		
Current		
Administration	267,804	220,069
Programs		
Inter Library Loan	60,159	57,026
Delivery	61,835	54,946
Automation/Cataloging/IT	236,146	243,843
Services	115,254	37,992
Regional Legacy	130,317	91,308
Multi-Regional Legacy	14,859	6,952
RLTA Category 3/Priority 2	104,473	142,543
ARPA Grant	37,554	53,509
Total Program Expenditures	<u>760,597</u>	<u>688,119</u>
Total Current Expenditures	<u>1,028,401</u>	<u>908,188</u>
Capital Outlay		
Administration	9,136	6,236
Programs		
Automation/Cataloging/IT		1,378
ARPA Grant	37,438	23,302
Total Capital Outlay	<u>46,574</u>	<u>30,916</u>
Total Expenditures	<u>1,074,975</u>	<u>939,104</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Proceeds from Subscription Liability	37,438	13,500
Net Change in Fund Balance	<u>51,558</u>	<u>80,646</u>
FUND BALANCE, BEGINNING OF YEAR	<u>500,565</u>	<u>419,919</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 552,123</u></u>	<u><u>\$ 500,565</u></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, 2023  
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2022

	<u>2023</u>	<u>2022</u>
Total Net Change in Fund Balance - Governmental Fund	\$ 51,558	\$ 80,646
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	37,438	27,132
Depreciation Expense	(23,920)	(23,727)
Amortization Expense	(27,876)	(15,141)
Disposal of Capital Assets	(10,028)	(33,866)
Accumulated Depreciation Related to Disposed Capital Assets	9,879	33,866
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	(10,930)	53,041
Compensated Absences	2,277	(9,105)
Lease and subscription proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of leases and subscriptions are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Subscriptions Issued	(37,438)	
Retirement on Lease Payable	4,087	3,957
Retirement on Subscriptions Payable	20,324	10,558
Change in Net Position - Governmental Activities	<u>\$ 15,371</u>	<u>\$ 127,361</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, 2023

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 630,822	\$ 668,035	\$ 692,233	\$ 24,198
Charges for Services	303,770	303,770	297,801	(5,969)
Miscellaneous	54,455	58,055	99,061	41,006
Total Revenues	<u>989,047</u>	<u>1,029,860</u>	<u>1,089,095</u>	<u>59,235</u>
<b>EXPENDITURES</b>				
Current				
Administration	262,939	262,939	267,804	4,865
Programs				
Inter Library Loan	62,123	62,123	60,159	(1,964)
Delivery	77,420	77,420	61,835	(15,585)
Automation/Cataloging/IT	262,272	262,272	236,146	(26,126)
Services	76,995	82,735	115,254	32,519
Regional Legacy	106,344	106,344	130,317	23,973
Multi-Regional Legacy	6,985	6,985	14,859	7,874
RLTA Category 3/Priority 2	107,642	107,642	104,473	(3,169)
ARPA Grant		37,554	37,554	
Total Programs	<u>699,781</u>	<u>743,075</u>	<u>760,597</u>	<u>17,522</u>
Total Current Expenditures	<u>962,720</u>	<u>1,006,014</u>	<u>1,028,401</u>	<u>22,387</u>
Capital Outlay				
Administration			9,136	9,136
Programs				
Delivery	10,000	10,000		(10,000)
ARPA Grant			37,438	37,438
Total Capital Outlay	<u>10,000</u>	<u>10,000</u>	<u>46,574</u>	<u>36,574</u>
Total Expenditures	<u>972,720</u>	<u>1,016,014</u>	<u>1,074,975</u>	<u>58,961</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Subscription Liability			37,438	37,438
Net Change in Fund Balance	<u>\$ 16,327</u>	<u>\$ 13,846</u>	51,558	<u>\$ 37,712</u>
FUND BALANCE, BEGINNING OF YEAR			<u>500,565</u>	
FUND BALANCE, END OF YEAR			<u>\$ 552,123</u>	

See Accompanying Notes to the Financial Statements

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PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

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, 2023

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 used the same accounting practices 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, 2023

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 and Right to Use Assets:**

Tangible and intangible capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Right to use assets are capitalized at the present value of the minimum lease payments. 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 \$1,500 for capitalizing tangible and intangible capital and right to use 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 and right to use assets are recorded in the organization-wide financial statements, but are not reported in the governmental fund financial statements. Capital and right to use 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, 2023

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. Lease and subscription liabilities are measured at the present value of payments expected to be made and amortized as a component of interest expense over the lease and subscription term.

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 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. The present value of lease and subscription payments expected to be made at the inception of a lease and subscription agreement is reported as other financing sources. Subsequent lease and subscription payments are reported as capital outlay 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 6 days. An employee who resigns in good standing after five years of employment is entitled to 25% of their unused sick leave.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

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)

**Compensated Absences:** (Cont'd)

*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.

**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:**

The Library System participates in various pension plans; total pension expense for the fiscal year ended was \$38,442. The components of pension expense are noted in the plan summaries.

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, 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.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

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:**

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 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.

**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 and right to use assets, net of accumulated depreciation and amortization, 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.

G. 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 deferred outflows of resources and liabilities and deferred inflows of resources 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.



PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

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

H. 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, 2022, from which the partial information was derived.

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

The following fund had expenditures that exceeded appropriations:

	<u>Expenditures</u>	<u>Appropriations</u>
General Fund	\$ 1,074,975	\$ 1,016,014

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>727,917</u>
Total	<u><u>\$ 727,967</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.

PLUM CREEK LIBRARY SYSTEM  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2023

NOTE 4. RECEIVABLES

Receivables are as follows:

	<u>Total Receivables</u>	<u>Amounts not Scheduled for Collection During the Subsequent Year</u>
Libraries and Counties and Other Charges		
Libraries and Counties	\$ 438	\$
E-Rate	<u>10,957</u>	<u>          </u>
Total Receivables	<u>\$ 11,395</u>	<u>\$ 0</u>
Due From Other Governments		
State of Minnesota	<u>\$ 44,681</u>	<u>\$ 0</u>

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 5. CAPITAL AND RIGHT TO USE ASSETS

Capital and right to use asset activity for the year ended was as follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, Being Depreciated				
Buildings	\$ 115,288	\$	\$ (3,500)	\$ 111,788
Vehicles	54,286			54,286
Library Equipment	23,099		(4,173)	18,926
Office Equipment & Furniture	115,696		(2,355)	113,341
Total Capital Assets, Being Depreciated	308,369	0	(10,028)	298,341
Right To Use Assets, Being Amortized				
Leased Equipment	20,236			20,236
Subscription IT Assets	80,066	37,438		117,504
Total Right to Use Assets, Being Depreciated	100,302	37,438	0	137,740
Less Accumulated Depreciation for				
Buildings	69,174	2,795	(3,500)	68,469
Vehicles	18,095	10,857		28,952
Library Equipment	19,270	1,522	(4,024)	16,768
Office Equipment & Furniture	79,679	8,746	(2,355)	86,070
Total Accumulated Depreciation	186,218	23,920	(9,879)	200,259
Less Accumulated Amortization for				
Leased Equipment	9,444	4,047		13,491
Subscription IT Assets	33,283	23,829		57,112
Total Accumulated Amortization	42,727	27,876	0	70,603
Total Capital and Right to Use Assets, Being Depreciated or Amortized, Net	\$ 179,726	\$ (14,358)	\$ (149)	\$ 165,219

Depreciation and amortization expenses were charged to functions/programs as follows:

Governmental Activities:	
Administration	\$ 40,939
Programs	
Delivery	10,857
Total	\$ 51,796

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

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>					
Long-Term Leases	\$ 11,200	\$	\$ (4,087)	\$ 7,113	\$ 4,222
Long-Term Subscriptions	33,781	37,438	(20,324)	50,895	20,276
Compensated Absences*	40,819		(2,277)	38,542	
 Total Long-Term Liabilities	 <u>\$ 85,800</u>	 <u>\$ 37,438</u>	 <u>\$ (26,688)</u>	 <u>\$ 96,550</u>	 <u>\$ 24,498</u>

\* Change represents the net change in compensated absences balance.

NOTE 7. LONG-TERM LEASES

Long-term lease agreements are summarized as follows:

<u>Long-Term Leases</u>	<u>Origination Date</u>	<u>Payment Terms</u>	<u>Payment Amount</u>	<u>Interest Rate</u>
Copier	3/20/2020	60 months	\$ 366	3.25%
	<u>Original Lease Liability</u>	<u>Current Year Additional Outflows</u>	<u>Balance Outstanding</u>	
Copier	<u>\$ 20,236</u>	<u>\$ 0</u>	<u>\$ 7,113</u>	

The copier was leased for the Library System beginning March 20, 2020 for a term of five years at a fixed interest rate of 3.25%. This lease is not renewable and the Library System will not acquire the equipment at the end of the five years.

Annual requirements to amortize lease obligations and related interest are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 4,222	\$ 169
2025	<u>2,891</u>	<u>35</u>
	<u>\$ 7,113</u>	<u>\$ 204</u>

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 8. LONG-TERM SUBSCRIPTIONS

At June 30, 2023, the Library System adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. This implementation allows the Library System to report its right to use subscription assets and related long-term subscription arrangements.

Subscription arrangements are summarized as follows:

	Origination Date	Payment Terms	Payment Amount	Interest Rate
OverDrive Digital Library	3/14/2020	6 years	\$ 12,000	3.25%
Aspen Discovery System	9/19/2022	4 years	10,000	3.50%
	Original Lease Liability	Current Year Additional Outflows	Impairments	Balance Outstanding
OverDrive Digital Library	\$ 66,566	\$	\$	\$ 22,879
Aspen Discovery System	37,438			28,016
Total	<u>\$ 104,004</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 50,895</u>

On March 14, 2020, the Library System entered into an agreement with OverDrive for the use of the Digital Library System for a term of 4 years with a 2 year renewal, for a total term of 6 years. This agreement may not be renewed after the 2 year extension and the Library System will not acquire the software at the end of the agreement period.

On September 19, 2022, the Library System entered into an agreement with Bywater Solutions for the use of the Aspen Discovery System for a term of 2 years with a 2 year renewal, for a total term of 4 years. This agreement may not be renewed after the 2 year extension and the Library System will not acquire the software at the end of the agreement period.

Annual requirements to amortize subscription obligations and related interest are as follows:

Year Ending June 30	OverDrive Digital Library		Aspen Discovery System	
	Principal	Interest	Principal	Interest
2024	\$ 11,257	\$ 743	\$ 9,019	\$ 981
2025	11,622	378	9,335	665
2026			9,662	338
	<u>\$ 22,879</u>	<u>\$ 1,121</u>	<u>\$ 28,016</u>	<u>\$ 1,984</u>

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 9. UNEARNED REVENUE

Schedule of the unearned revenue is:

Legacy Funds	\$ 195,436
Digital Materials	<u>35,915</u>
Total	<u>\$ 231,351</u>

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. PLAN DESCRIPTION

The Library System participates in the cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's and TRA'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):**

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

B. BENEFITS PROVIDED

**GERP Benefits:**

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 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

C. CONTRIBUTIONS

**GERP 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 2022 and 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, 2023 were \$27,512. The Library System's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

**GERP Pension Costs:**

At June 30, 2023 the Library System reported a liability of \$348,481 for its proportionate share of the General Employees Fund's net pension liability. The Library System's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. 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 \$10,151. The net pension liability was measured as of June 30, 2022, 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 proportionate share 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The Library System's proportionate share was 0.0044% at the end of the measurement period and 0.0038% for the beginning of the period.

Library Systems Proportionate Share of the Net Pension Liability	\$ 348,481
State of Minnesota's Proportionate Share of the Net Pension Liability Associated With the Library System	<u>10,151</u>
Total	<u><u>\$ 358,632</u></u>

There were no provision changes during the measurement period.

For the year ended June 30, 2023, the Library System recognized pension expense of \$53,969 for its proportionate share of GERP's pension expense. In addition, the Library System recognized \$1,517 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution to the General Employees Fund.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

At June 30, 2023 the Library System reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 2,911	\$ 3,215
Changes in Actuarial Assumptions	68,438	1,224
Net Collective Differences Between Projected and Actual Investment Earnings	22,490	
Changes in Proportion	19,217	12,440
Contributions Paid to PERA Subsequent to Measurement Date	<u>27,512</u>	
Totals	<u>\$ 140,568</u>	<u>\$ 16,879</u>

The \$27,512 reported as deferred outflows of resources related to pensions resulting from Library System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Pension Expense Amount</u>
2024	\$ 24,889
2025	38,421
2026	1,353
2027	31,514

E. LONG-TERM EXPECTED RETURN ON INVESTMENT

**GERP:**

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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 geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	33.50%	5.10%
International Equity	16.50%	5.30%
Fixed Income	25.00%	0.75%
Private Markets	<u>25.00%</u>	5.90%
Total	<u>100.00%</u>	



PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

F. ACTUARIAL ASSUMPTIONS

**GERP:**

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions occurred in 2022:

Changes in Actuarial Assumptions:

The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

G. DISCOUNT RATE

**GERP:**

The discount rate used to measure the total pension liability in 2023 was 6.5 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 were projected to be available to make all projected future benefit payments of current plan members. 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.

PLUM CREEK LIBRARY SYSTEM

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

H. 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:

	<u>GERP</u>	
1% Lower	5.50%	\$ 550,445
Current Discount Rate	6.50%	348,481
1% Higher	7.50%	182,840

I. PENSION PLAN FIDUCIARY NET POSITION

**GERP:**

Detailed information about the 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](http://www.mnpera.org).

NOTE 11. FUND BALANCE

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

Nonspendable		
Prepaid Items	\$	26,158
Committed		
Automation/Technology		31,363
Vehicle Replacement		65,469
Unassigned		<u>429,133</u>
Total Fund Balance	<u>\$</u>	<u>552,123</u>

NOTE 12. CURRENT VULNERABILITY DUE TO CONCENTRATION

The Library System receives approximately 63.6% 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 13. 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, 2023 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.

PLUM CREEK LIBRARY SYSTEM  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2023

NOTE 14. 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.

NOTE 15. 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Related to Pensions	\$ 140,568	\$ 16,879

NOTE 16. PRIOR PERIOD ADJUSTMENT

The beginning net position of the governmental activities has been adjusted to reflect a change in accounting principle. As mentioned in Note 8, the Library System implemented GASB 96 which requires a government to record a subscription liability and right to use subscription asset. The Library System recognized \$44,378 in net book value of right to use subscription assets and a subscription liability of \$44,340 for the year beginning July 1, 2021. The net position, beginning of year, as originally stated, prior period adjustment and net position, beginning of year, as restated as of June 30, 2022 are summarized in the following table:

	Net Position, Beginning of Year, as Originally Stated	Prior Period Adjustment	Net Position, Beginning of Year, as Restated
Governmental Activities	\$ 253,230	\$ 38	\$ 253,268

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REQUIRED SUPPLEMENTARY INFORMATION

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PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
JUNE 30, 2023

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>Pensions</u>							
<u>GERP</u>							
6/30/2022	0.0044%	\$ 348,481	\$ 10,151	\$ 358,632	\$ 329,693	108.78%	76.67%
6/30/2021	0.0038%	162,277	4,935	167,212	280,031	59.71%	87.00%
6/30/2020	0.0038%	227,827	6,995	234,822	276,369	84.97%	79.06%
6/30/2019	0.0047%	259,852	8,166	268,018	338,095	79.27%	80.23%
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%	462,812	6,071	468,883	354,025	132.44%	68.91%
6/30/2015	0.0049%	253,943		253,943	273,187	92.96%	78.19%
6/30/2014	0.0052%	244,270		244,270	270,887	90.17%	78.75%

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, 2023

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>Pensions</u>					
<u>GERP</u>					
6/30/2023	\$ 27,512	\$ 27,512	\$	\$ 366,827	7.50%
6/30/2022	24,727	24,727		329,693	7.50%
6/30/2021	21,002	21,002		280,031	7.50%
6/30/2020	20,733	20,733		276,369	7.50%
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, 2023

NOTE 1. CHANGES IN PLAN PROVISIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP):

**2022 Changes:**

There have been no changes since the prior valuation.

**2021 Changes:**

There have been no changes since the prior valuation.

**2020 Changes:**

Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**2019 Changes:**

The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

**2018 Changes:**

The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

Contribution stabilizer provisions were repealed.

Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.

Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017 Changes:**

The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.

The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

**2016 Changes:**

There have been no changes since the prior valuation.

PLUM CREEK LIBRARY SYSTEM

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

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

**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:**

There have been no changes since the prior valuation.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

**2022 Changes:**

The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

**2021 Changes:**

The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.

The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

**2020 Changes:**

The price inflation assumption was decreased from 2.50% to 2.25%.

The payroll growth assumption was decreased from 3.25% to 3.00%.

Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.

Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.

The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.

The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

The assumed spouse age difference was changed from two years older for females to one year older.

PLUM CREEK LIBRARY SYSTEM

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2023

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

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

**2020 Changes:** (Cont'd)

The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

**2019 Changes:**

The mortality projection scale was changed from MP-2017 to MP-2018.

**2018 Changes:**

The mortality 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.

**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.

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SUPPLEMENTARY INFORMATION

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PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2023  
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2022

	2023				2022
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
<b>REVENUES</b>					
<b>Intergovernmental</b>					
Federal Grants and Aids					
Federal E-Rate Funds	\$ 49,000	\$ 49,000	\$ 44,370	\$ (4,630)	\$ 44,244
ARPA Grant		37,213	37,213	0	63,651
Total Federal Grants and Aids	49,000	86,213	81,583	(4,630)	107,895
State Grants and Aids					
Basic System Support	340,991	340,991	340,198	(793)	341,912
MN Legacy Funds	116,409	116,409	143,047	26,638	96,043
RLTA Aid	12,500	12,500	13,171	671	9,830
RLTA Category 3/Priority 2	107,642	107,642	104,473	(3,169)	130,754
MN Link Gateway	4,280	4,280	4,021	(259)	4,087
Total State Grants and Aids	581,822	581,822	604,910	23,088	582,626
Local Grants and Aids					
Other Local Grant			5,740	5,740	
Total Intergovernmental	630,822	668,035	692,233	24,198	690,521
<b>Charges for Services</b>					
County Charges	29,250	29,250	29,250		29,250
Automation/IT	177,710	177,710	178,635	925	173,164
Delivery	66,810	66,810	66,810		63,420
Specialty Items Reimbursed	30,000	30,000	23,106	(6,894)	23,013
Total Charges for Services	303,770	303,770	297,801	(5,969)	288,847
<b>Miscellaneous</b>					
Interest Income	60	60	286	226	70
Digital Materials Income	46,995	46,995	86,132	39,137	15,389
Pioneerland Legacy	2,000	2,000	3,260	1,260	1,473
Miscellaneous		3,600	3,983	383	4,550
Rent	5,400	5,400	5,400		5,400
Total Miscellaneous	54,455	58,055	99,061	41,006	26,882
Total Revenues	989,047	1,029,860	1,089,095	59,235	1,006,250

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2023  
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2022

	2023				2022
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
<b>EXPENDITURES</b>					
<b>Current</b>					
<b>Administration</b>					
<b>Personal Services</b>					
Salaries and Wages	\$ 164,334	\$ 164,334	\$ 175,195	\$ 10,861	\$ 145,497
Payroll Taxes	24,904	24,904	26,371	1,467	22,227
Health and Life Insurance	11,576	11,576	9,192	(2,384)	8,615
Insurance	5,200	5,200	5,532	332	5,177
Workers' Compensation Insurance	2,400	2,400	812	(1,588)	458
<b>Total Personal Services</b>	<b>208,414</b>	<b>208,414</b>	<b>217,102</b>	<b>8,688</b>	<b>181,974</b>
<b>Supplies</b>					
Office Supplies, Printing and Stationery	4,500	4,500	3,903	(597)	5,031
Postage	400	400	597	197	218
<b>Total Supplies</b>	<b>4,900</b>	<b>4,900</b>	<b>4,500</b>	<b>(400)</b>	<b>5,249</b>
<b>Other Services and Charges</b>					
Publications, Subscriptions and Dues	1,650	1,650	2,029	379	1,295
Telephone	2,000	2,000	1,759	(241)	1,699
Travel, Meetings and Seminars	7,350	7,350	6,224	(1,126)	2,927
Professional Services for Audit	13,000	13,000	12,770	(230)	11,475
Equipment Maintenance and Repairs	15,000	15,000	14,591	(409)	7,390
Real Estate Taxes	450	450	427	(23)	413
Miscellaneous	3,675	3,675	2,581	(1,094)	1,623
Utilities	6,500	6,500	5,821	(679)	6,024
<b>Total Other Services and Charges</b>	<b>49,625</b>	<b>49,625</b>	<b>46,202</b>	<b>(3,423)</b>	<b>32,846</b>
<b>Total Administration</b>	<b>262,939</b>	<b>262,939</b>	<b>267,804</b>	<b>4,865</b>	<b>220,069</b>
<b>Programs</b>					
<b>Inter Library Loan</b>					
<b>Personal Services</b>					
Salaries and Wages	44,491	44,491	43,933	(558)	41,773
Payroll Taxes	6,740	6,740	6,324	(416)	5,985
Health and Life Insurance	10,192	10,192	9,551	(641)	9,078
Workers' Compensation Insurance	300	300	208	(92)	45
<b>Total Personal Services</b>	<b>61,723</b>	<b>61,723</b>	<b>60,016</b>	<b>(1,707)</b>	<b>56,881</b>
<b>Other Services and Charges</b>					
Miscellaneous	400	400	143	(257)	145
<b>Total Inter Library Loan</b>	<b>62,123</b>	<b>62,123</b>	<b>60,159</b>	<b>(1,964)</b>	<b>57,026</b>



PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2023  
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2022

	2023				2022
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Programs (Cont'd)					
Delivery					
Personal Services					
Salaries and Wages	\$ 46,188	\$ 46,188	\$ 33,775	\$ (12,413)	\$ 30,926
Payroll Taxes	6,998	6,998	4,822	(2,176)	4,432
Health and Life Insurance	384	384	192	(192)	144
Workers' Compensation Insurance	250	250	354	104	196
Total Personal Services	<u>53,820</u>	<u>53,820</u>	<u>39,143</u>	<u>(14,677)</u>	<u>35,698</u>
Other Services and Charges					
Rent	2,100	2,100	2,100		2,100
Vehicle Repair, Maintenance and Insurance	21,500	21,500	20,592	(908)	17,148
Total Other Services and Charges	<u>23,600</u>	<u>23,600</u>	<u>22,692</u>	<u>(908)</u>	<u>19,248</u>
Total Delivery	<u>77,420</u>	<u>77,420</u>	<u>61,835</u>	<u>(15,585)</u>	<u>54,946</u>
Automation/Cataloging/IT					
Personal Services					
Salaries and Wages	110,240	110,240	108,747	(1,493)	103,531
Payroll Taxes	16,702	16,702	16,092	(610)	15,288
Health and Life Insurance	29,148	29,148	26,325	(2,823)	25,357
Workers' Compensation Insurance	1,075	1,075	708	(367)	392
Total Personal Services	<u>157,165</u>	<u>157,165</u>	<u>151,872</u>	<u>(5,293)</u>	<u>144,568</u>
Other Services and Charges					
Telephone	1,400	1,400	1,192	(208)	1,427
Software and Hardware Repair and Maintenance and Travel	13,307	13,307	7,739	(5,568)	7,067
Telecommunications	55,000	55,000	57,263	2,263	57,067
Library Expense - Automation	15,000	15,000	15,000		15,787
Dialog and Searches	18,000	18,000	3,080	(14,920)	17,927
Continuing Education	2,400	2,400		(2,400)	
Total Other Services and Charges	<u>105,107</u>	<u>105,107</u>	<u>84,274</u>	<u>(20,833)</u>	<u>99,275</u>
Total Automation/Cataloging/IT	<u>262,272</u>	<u>262,272</u>	<u>236,146</u>	<u>(26,126)</u>	<u>243,843</u>
Services					
Specialty Items	30,000	35,740	29,122	(6,618)	22,603
Digital Materials Contract and Collections	46,995	46,995	86,132	39,137	15,389
Total Services	<u>76,995</u>	<u>82,735</u>	<u>115,254</u>	<u>32,519</u>	<u>37,992</u>

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2023  
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2022

	2023				2022
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Programs (Cont'd)					
Regional Legacy					
Personal Services					
Salaries and Wages	\$ 23,361	\$ 23,361	\$ 18,931	\$ (4,430)	\$ 16,325
Payroll Taxes	3,539	3,539	2,004	(1,535)	1,488
Health Insurance	2,974	2,974	2,974		2,974
Total Personal Services	<u>29,874</u>	<u>29,874</u>	<u>23,909</u>	<u>(5,965)</u>	<u>20,787</u>
Supplies					
Program Supplies	1,500	1,500	4,173	2,673	1,868
Other Services and Charges					
Advertising	2,000	2,000	2,321	321	804
Travel and Maintenance	100	100	1,277	1,177	294
Speaker Contracts	72,120	72,120	96,703	24,583	66,172
Miscellaneous	750	750	1,934	1,184	1,383
Total Other Services and Charges	<u>74,970</u>	<u>74,970</u>	<u>102,235</u>	<u>27,265</u>	<u>68,653</u>
Total Regional Legacy	<u>106,344</u>	<u>106,344</u>	<u>130,317</u>	<u>23,973</u>	<u>91,308</u>
Multi-Regional Legacy					
Personal Services					
Salaries and Wages	800	800	1,473	673	2,170
Payroll Taxes	122	122	223	101	329
Health Insurance	2,974	2,974	2,974		2,974
Total Personal Services	<u>3,896</u>	<u>3,896</u>	<u>4,670</u>	<u>774</u>	<u>5,473</u>
Supplies					
Program Supplies	525	525	17	(508)	
Other Services and Charges					
Advertising	275	275		(275)	
Travel	100	100	165	65	743
Speaker Contracts	1,839	1,839	9,757	7,918	736
Miscellaneous	350	350	250	(100)	
Total Other Services and Charges	<u>2,564</u>	<u>2,564</u>	<u>10,172</u>	<u>7,608</u>	<u>1,479</u>
Total Multi-Regional Legacy	<u>6,985</u>	<u>6,985</u>	<u>14,859</u>	<u>7,874</u>	<u>6,952</u>
RLTA Category 3/Priority 2					
Other Services and Charges	107,642	107,642	104,473	(3,169)	142,543

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2023  
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2022

	2023				2022
	Budgeted Amounts		Actual	Over (Under) Final Budget	
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Programs (Cont'd)					
ARPA Grant					
Other Services and Charges					
License, Resources and					
Digital Materials	\$	\$ 37,554	\$ 37,554	\$	\$ 53,509
Total Program Expenditures	<u>699,781</u>	<u>743,075</u>	<u>760,597</u>	<u>17,522</u>	<u>688,119</u>
Total Current Expenditures	<u>962,720</u>	<u>1,006,014</u>	<u>1,028,401</u>	<u>22,387</u>	<u>908,188</u>
Capital Outlay					
Administration			9,136	9,136	6,236
Programs					
Delivery	10,000	10,000		(10,000)	
Automation/Cataloging/IT					1,378
ARPA Grant			37,438	37,438	23,302
Total Capital Outlay	<u>10,000</u>	<u>10,000</u>	<u>46,574</u>	<u>36,574</u>	<u>30,916</u>
Total Expenditures	<u>972,720</u>	<u>1,016,014</u>	<u>1,074,975</u>	<u>58,961</u>	<u>939,104</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Subscription Liability			37,438		13,500
Net Change in Fund Balance	<u>\$ 16,327</u>	<u>\$ 13,846</u>	51,558	<u>\$ 37,712</u>	80,646
FUND BALANCE, BEGINNING OF YEAR			500,565		419,919
FUND BALANCE, END OF YEAR			<u>\$ 552,123</u>		<u>\$ 500,565</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, as of and for the year ended June 30, 2023, 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 18, 2023.

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 contracting-bid laws, depositories of public funds and public investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

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 18, 2023

<b>Willmar Office</b> 331 Third St SW, Ste 2 PO Box 570 Willmar, MN 56201 (320) 235-3311 (888) 388-1040	<b>Benson Office</b> 1209 Pacific Ave, Ste 3 Benson, MN 56215 (320) 843-2302	<b>Morris Office</b> 401 Atlantic Ave Morris, MN 56267 (320) 589-2602	<b>Litchfield Office</b> 820 Sibley Ave N Litchfield, MN 55355 (320) 693-7975	<b>Sartell Office</b> 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, 2023, 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 18, 2023.

**Report on 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) as basis for designing 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2023-001 and 2023-002 that we consider to be a material weakness.

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**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

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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

*Government Auditing Standards* requires the auditor to perform limited procedures on the Library System's response to the findings identified in our audit and described in the accompanying Schedule of Findings. The Library System's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## 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 purpose.

*Conway, Deuth & Schmiesing, PLLP*

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

October 18, 2023

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2023

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

FINDING: 2023-001 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:

Elizabeth Hoffman, Director

Planned Completion Date of CAP:

June 30, 2024

Plan to Monitor Completion of CAP:

Governing Board

PLUM CREEK LIBRARY SYSTEM

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2023

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

FINDING: 2023-002 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:

Elizabeth Hoffman, Director

Planned Completion Date of CAP:

June 30, 2024

Plan to Monitor Completion of CAP:

Governing Board

PLUM CREEK LIBRARY SYSTEM

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
 JUNE 30, 2023

Finding Reference	Finding Title	Status	Year Finding Initially Occurred	If Not Corrected, Provide Planned Corrective Action or Other Explanation
Financial Statement Findings:				
2022-001	Limited Segregation of Duties	Not Corrected	2011	See current year finding 2023-001
2022-002	Auditor Prepared Financial Statements	Not Corrected	2011	See current year finding 2023-002

Minnesota Legal Compliance Findings:

None