

**PIONEERLAND LIBRARY SYSTEM
WILLMAR, MINNESOTA**

**FINANCIAL STATEMENTS
December 31, 2014**

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Certified Public Accountants
Willmar, Minnesota 56201

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pioneerland Library System
Willmar, Minnesota

We have audited the accompanying financial statements of the governmental activities and general fund of the Pioneerland Library System, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund of the Pioneerland Library System, as of December 31, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2015, on our consideration of Pioneerland Library System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance the *Government Auditing Standards* in considering Pioneerland Library System's internal control over financial reporting and compliance.

Westberg Eischens, PLLP

Westberg Eischens, PLLP
Willmar, Minnesota
March 30, 2015

PIONEERLAND LIBRARY SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended December 31, 2014

**PIONEERLAND LIBRARY SYSTEM'S (PLS)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Prepared by Mark Ranum, Executive Director and Laurie Ortega, Director of Library Operations

INTRODUCTION

The Pioneerland Library System (the Library) is a regional public library system (Minn. Stat. 134.001 Subd.4) organized under the provisions of Minnesota's Chapters 134.001 and 317A. and Section 471.59. The Library provides the region's 165,000 residents free access to the resources of 32 libraries in nine West Central Minnesota counties.

Under a joint powers agreement, 9 counties and 18 cities appoint 35 members to the Library's board. This board is responsible for the operations, personnel and budgets for the 32 member libraries within a nine county region.

The Library presents this discussion and analysis of its financial performance during the fiscal year ended December 31, 2014, to assist the reader in focusing on significant financial issues and concerns. This discussion and analysis is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, issued June 1999.

The Library's December 31, 2014 annual financial report consists of two parts – the management's discussion and analysis and the basic financial statements (which include notes to those financial statements).

Financial Highlights

Under GASB 34, the Regional Library's single government activities financial statement for December 31, 2014, report on all of the Library's assets, liabilities, revenues, expenses and net position under the programs it administers. In summary, the Library's financial highlights include the following:

- Total assets of the Library were approximately \$5.99 million at December 31, 2014. Total liabilities of the Library were approximately \$560 thousand at December 31, 2014. Thus total net position were approximately \$5.43 million December 31, 2014.
- Total revenue increased by approximately \$383 thousand during the year ended December 31, 2014. Total revenues were approximately \$5.42 million for the year ended December 31, 2014.
- Total expenses increased by approximately \$1.12 million during the year ended December 31, 2014. Total expenses were approximately \$5.57 million for the year ended December 31, 2014.
- Net position decreased by approximately \$153 thousand for the year ended December 31, 2014.

PIONEERLAND LIBRARY SYSTEM'S (PLS) MANAGEMENT'S DISCUSSION AND ANALYSIS

Library Financial Statements

The Library's mission is to "...improve library and information services...through joint efforts that allow libraries within the region to share resources and for users to have access to all of the public libraries' resources within the region. By joining together, greater efficiency and economy are obtained because of the larger tax base, reduced duplication of administrative services and the larger units of scale for operations." Source: "*Comparison Fact Sheet for Minnesota's Regional Public Library Systems and Multicounty Multitype Library Cooperation Systems. August, 2004*".

Under its Joint Powers Agreement (January 18, 2001), the Library's signatories of nine counties and 17 cities (18th city, Canby joined in 2003) established a new political subdivision that is a joint powers entity governed by a joint powers board of 35 members.

In view of this mission and its legal establishment, the Library's financial reporting objective under GASB 34 focuses on the financial activities of the Library as a whole.

Financial Statements

The Library is presenting its discussion and analysis based on the financial results of its programs in two basic financial statements – the statement of net position and the statement of activities. The statement of net position (similar to a balance sheet) reports all financial and capital assets of the Library and is presented in a format where assets equal liabilities plus net position. Net position is broken down into the following categories.

- *Net investments in capital assets* consist of all capital assets net of accumulated depreciation and reduced by the outstanding balances of the capital assets' related debt.
- *Restricted net position* consist of assets which uses are restricted by donor, grantors or other legally binding obligations.
- *Unrestricted net position* consists of net position that do not meet the definition of net position net investments in capital assets, or restricted net position.

The statement of activities (similar to an income statement) includes operating revenues, such operating expenses, administrative, and depreciation. The statement's focus is the change in net position (similar to net income or loss).

These financial statements utilize the economic resources measurement focus and the accrual basis of accounting. They report the Library's net position and changes in net position in full compliance with GASB 34. Under the accrual basis of accounting, revenues are recognized in the period they are received and expenses in the period when they are incurred and posted.

This entity-wide presentation represents several programs and activities. These programs are financed by city and county funds, state and federal grants, and other (charges and fees).

**PIONEERLAND LIBRARY SYSTEM'S (PLS)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Net Position

The following Table I reflects the Library's condensed summary of the statement of net position as of December 31, 2014, with comparative amounts for 2013.

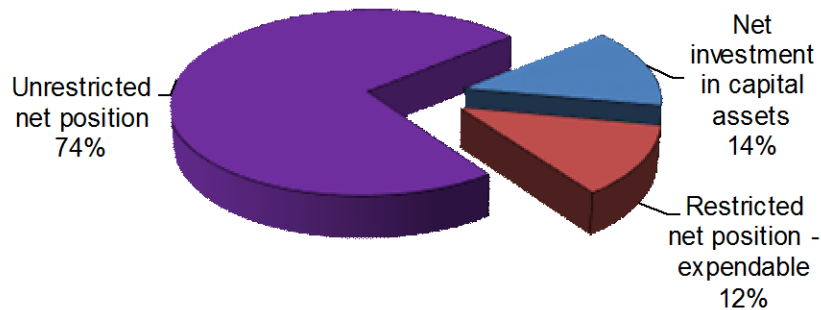
**Table I
Summary of Statement of Net Position
As of December 31**

<u>Description</u>	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 5,231,239	\$5,046,405
Capital assets, net of accumulated depreciation	<u>763,706</u>	<u>918,683</u>
Total assets	<u>5,994,945</u>	<u>5,965,088</u>
Current liabilities	<u>559,767</u>	<u>377,070</u>
Total liabilities	<u>559,767</u>	<u>377,070</u>
Net position:		
Net investment in capital assets	763,706	918,683
Restricted net position	655,760	671,194
Unrestricted net position	<u>4,015,712</u>	<u>3,998,141</u>
Total net position	<u>\$ 5,435,178</u>	<u>\$5,588,018</u>

Investments in capital assets comprise about 13% of the Library's total assets. The amount invested in capital assets, net of related debt, amount to about 14% of the total net position.

The Library's net position also consists of assets restricted by donors, grants or other agreements. The restricted net position consists of expendable net position which uses have been restricted and endowments in which the net position earnings are expendable as designated by the donor and the principle of the net position are permanently held. Unrestricted net position which includes cash, receivables and other assets less all other liabilities not previously applied. The following graph illustrates the relative percentage of the Library's net position net investment in capital assets, restricted net position and unrestricted net position.

Library's Net Position as of December 31, 2014



**PIONEERLAND LIBRARY SYSTEM'S (PLS)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statement of Activities

The results of the Library's operations are reported in the statement of activities. Table II presents a condensed summary of data from the Library's statements of activities.

**Table II
Summary of Statement of Activities
Years Ended December 31**

	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues		
Intergovernmental	\$ 3,726,006	\$ 3,776,628
Grants	1,417,917	1,089,032
Charges for services	82,033	83,382
Gifts	34,692	30,164
General revenues		
Interest income	55,920	49,084
Market gain (loss) on investments - net	7,671	(69,498)
Other income	92,435	74,550
Total revenues	<u>5,416,674</u>	<u>5,033,342</u>
Expenses:		
Program expenses		
Salaries including related taxes & benefits	2,453,721	2,409,532
Grant expenditures	1,888,503	814,027
Books, periodicals & videos	387,264	368,551
Depreciation	198,659	201,947
Other	641,367	657,456
Total expenses	<u>5,569,514</u>	<u>4,451,513</u>
Increase (Decrease) in net position	(152,840)	581,829
Net position January 1	<u>5,588,018</u>	<u>5,006,189</u>
Net position December 31	<u>\$ 5,435,178</u>	<u>\$ 5,588,018</u>

Grant revenues increased by \$328,885 due to additional e-rate dollars collected based on the large increase in Telecom expense. Other income items remained consistent with prior year noting market activity produced a positive gain.

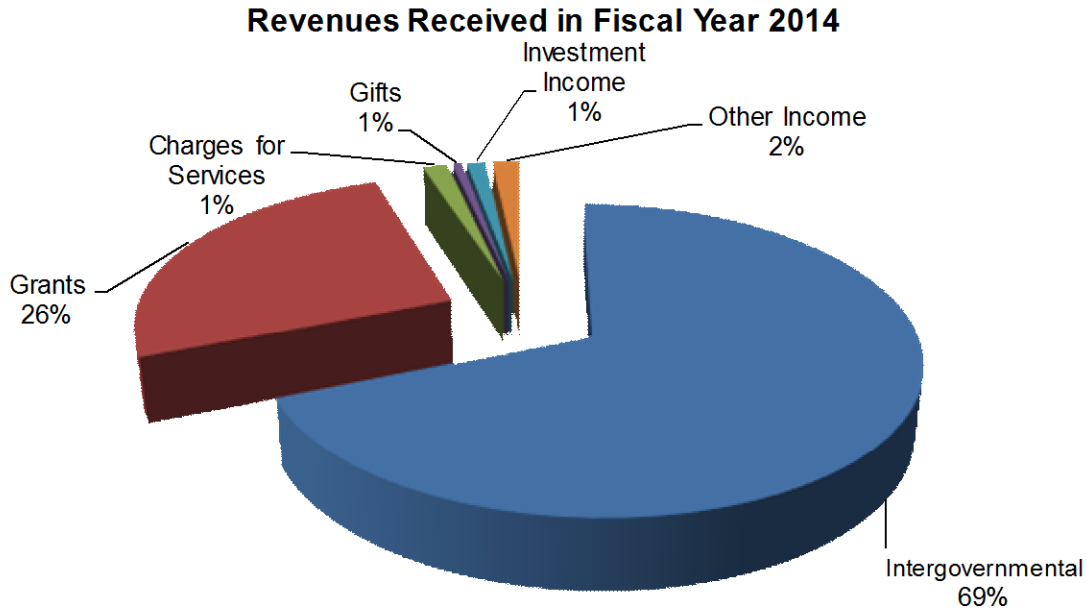
Grant expenditures increased by \$1,074,476 due to additional fees associated with the Telecom plan and new contract for increased speed and volume for broadband service. Salaries are consistent with prior year and budgets along with depreciation and other expense items.

**PIONEERLAND LIBRARY SYSTEM'S (PLS)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

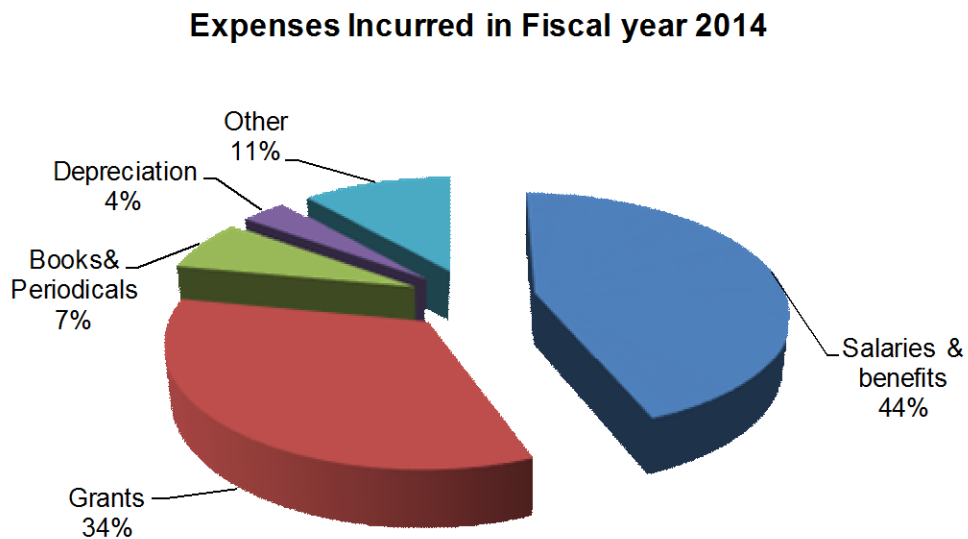
Financial Analysis of the Organization as a Whole

Revenue from the state was consistent in 2014 with prior year in the Regional Library Basic Support System funds.

The Library's revenue is substantially received from six sources; city, county, state, federal grants/special projects and other (fees and charges). The following graph illustrates the major sources of these revenues and related percentages.



For the years ended December 31, 2014 the Library incurred operating expenses of \$5.57 million. The following graph illustrates these major expense groups and the percent of the total expense each represents for the year ending December 31, 2014.



**PIONEERLAND LIBRARY SYSTEM'S (PLS)
MANAGEMENT'S DISCUSSION AND ANALYSIS**

General Fund Budgetary Highlights

Over the course of the year, the Library's Board of Directors did not revise the budget. The General Fund had enough revenues to meet expenditures resulting in a positive change of fund balance.

Capital Assets

The Library's capital assets as of December 31, 2014 included computers and equipment, books and an automation system. A breakdown of these assets is shown in Table III.

**Table III
Changes in Capital Assets of the Library
December 31, 2014**

<u>Description</u>	<u>Beginning Balance</u>	<u>Net additions/ (deletions)</u>	<u>Ending Balance</u>
Vehicles	\$ 20,488	\$ -	\$ 20,488
Furniture and equipment	1,669,909	10,032	1,679,941
Books	4,174,958	-	4,174,958
Ill automation system	80,390	33,650	114,040
	<u>5,945,745</u>	<u>43,682</u>	<u>5,989,427</u>
Depreciation and amortization	<u>5,027,062</u>	<u>198,659</u>	<u>5,225,721</u>
Total	<u>\$ 918,683</u>	<u>\$ (154,977)</u>	<u>\$ 763,706</u>

Contacting Library Management

This financial report is designed to provide the State of Minnesota, city and county officials, taxpayers, library patrons and citizens in the Pioneerland service area with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Director, Pioneerland Library System, P.O. Box 327, Willmar, MN 56201.

PIONEERLAND LIBRARY SYSTEM
BASIC FINANCIAL STATEMENTS
For The Year Ended December 31, 2014

PIONEERLAND LIBRARY SYSTEM
STATEMENT OF NET POSITION
December 31, 2014

ASSETS

Cash and cash equivalents	\$ 2,731,027
Investments	2,482,708
Receivables	10,268
Prepaid expenses	7,236
Capital assets, net of accumulated depreciation	
Vehicle	6,487
Furniture and equipment	301,445
Books	379,280
Automation	<u>76,494</u>

TOTAL ASSETS

5,994,945

LIABILITIES

Accounts payable	76,660
Accrued wages	137,425
Accrued payroll taxes	18,793
Unearned income	208,835
Compensated absences	<u>118,054</u>

TOTAL LIABILITIES

559,767

NET POSITION

Net investment in capital assets	763,706
Restricted net position-expendable	655,760
Unrestricted net position	<u>4,015,712</u>

TOTAL NET POSITION

\$ 5,435,178

See notes to financial statements.

**PIONEERLAND LIBRARY SYSTEM
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2014**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Pioneerland Library System	\$ 5,569,514	\$ 82,033	\$ 5,178,615	\$ -	\$ (308,866)
Permanent endowment					-
General revenue					
Other income					92,435
Investment gain - net					<u>63,591</u>
Total general revenue					<u>156,026</u>
Change in net position					(152,840)
Net position, Beginning					<u>5,588,018</u>
Net position, Ending					<u>\$ 5,435,178</u>

See notes to financial statements.

**PIONEERLAND LIBRARY SYSTEM
BALANCE SHEET
GENERAL FUND
December 31, 2014**

ASSETS

Cash and cash equivalents	\$ 2,731,027
Investments	2,482,708
Accounts receivable	10,268
Prepaid expenses	<u>7,236</u>

TOTAL ASSETS \$ 5,231,239

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 76,660
Accrued salaries	137,425
Accrued payroll tax	18,793
Unearned income	<u>208,835</u>
Total liabilities	<u>441,713</u>

Fund Balance

Committed	655,760
Assigned	4,169,736
Unassigned	<u>(35,970)</u>
Total fund balance	<u>4,789,526</u>

TOTAL LIABILITIES AND FUND BALANCE \$ 5,231,239

See notes to financial statements.

PIONEERLAND LIBRARY SYSTEM
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
December 31, 2014

Total fund balances-general fund \$ 4,789,526

Amounts reported for governmental activities in the statement
of net position are different because:

Capital assets used in governmental activities are not financial
resources and therefore are not reported as assets in government funds.

Cost of capital assets	5,989,427
Less accumulated depreciation	(5,225,721)

Long-term liabilities are not due and payable in the current
period and therefore are not reported as liabilities in the funds.

Accrued compensated absences	<u>(118,054)</u>
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Total net position - government activities \$ 5,435,178

See notes to financial statements.

PIONEERLAND LIBRARY SYSTEM
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
For The Year Ended December 31, 2014

REVENUES

Intergovernmental	
State	\$ 449,647
Counties	1,482,212
Cities	1,794,147
Gifts	34,692
Interest income	55,920
Charges & fines	50,636
Copy machine, fax & equipment rental	29,305
Book sales	2,092
Grants	1,417,917
Other	92,435
Market gain on investments - net	<u>7,671</u>

TOTAL REVENUES 5,416,674

EXPENDITURES

Current	
Salaries and wages	1,921,796
Payroll tax	131,695
Employee benefits	390,855
Vehicle operation	68,754
Telephone and line charges	6,745
Postage and shipping	5,531
Equipment maintenance	18,689
Supplies	43,610
Promotion and programming	10,819
Mileage and meetings	10,636
Professional fees and memberships	118,745
Insurance	22,047
Continuing education	22,151
Central services	233,230
Grant expenditures	1,888,503
Rent	36,126
Sales tax	2,020
Capital outlay	
Automation system	73,381
Equipment	12,565
Books	<u>387,264</u>

TOTAL EXPENDITURES 5,405,162

CHANGE IN FUND BALANCE 11,512

FUND BALANCE, BEGINNING OF YEAR 4,778,014

FUND BALANCE, END OF YEAR \$ 4,789,526

See notes to financial statements.

PIONEERLAND LIBRARY SYSTEM
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2014

Total net change in fund balance	\$ 11,512
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in government funds 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	43,682
Depreciation expense	(198,659)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds

Vacation and severance benefits	<u>(9,375)</u>
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Change in net position - governmental activities	<u>\$ (152,840)</u>
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See notes to financial statements.

**PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

Pioneerland Library System complies with Generally Accepted Accounting Principles (GAAP). The Library System's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity

On August 8, 1983, the Boards and all governing jurisdictions of the Crow River Regional Library System and the Western Plains Library System agreed to merge and operate as Pioneerland Library System under Minnesota Statute 375.335. The merger was effective July 1, 1983, and joint operations commenced January 1, 1984. The governing body consists of a thirty-six-member board appointed by the various member jurisdictions. The board is responsible for legislative and fiscal control. A Director is appointed by the Board and is responsible for administrative control of the Library System.

The accompanying financial statements present the Library System's primary government and component units over which the Library System exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Library System (as distinct from legal relationships).

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities in net position) report information on all the financial activities of the Library.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grant and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*. The financial activities of the Library are reported as single activity in the statement of changes in net position and the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual method of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government 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 to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual basis of accounting with the exception of provision for vacation and severance liabilities.

Grants and entitlements and interest associated with the current fiscal period are all considered being susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered measurable and available only when the Library receives the cash.

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets are reported in the governmental activities column in the government-wide financial statements. General capital assets result from expenditures in the government funds.

All capital assets are recorded at cost (or estimated historical cost) and updated for additions and retirements during the year. The Library's capitalization threshold is \$1,500. The Library does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not.

Depreciation is provided for using the straight-line method of depreciation over the estimated useful lives of the property and equipment. Estimated useful lives of assets range from 5 – 20 years.

Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net position invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by governmental legislation or external restrictions by creditors, grantors, laws or regulations of other governments

Budgets and Budgetary Accounting

The Library System prepares an annual budget consistent with its basis of accounting. Unexpended budgeted amounts are made available to the various libraries for use in their subsequent year budgets. Once approved, the Board may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Estimates

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

Risk Management

The Library System is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Library System carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

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 they are either not in spendable form or are legally or contractually required to be maintained intact, such as, inventories and 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 of the Board of Directors. 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. These constraints are established by Resolution of the Board of Directors.

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance (continued)

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 the Library’s Policy, the Board of Directors is authorized to establish assignments of fund balance.

Unassigned – is the residual classification for the General Fund.

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

The Board of Directors has formally adopted a fund balance policy for the General Fund.

NOTE 2 CASH AND INVESTMENTS

The Library System’s cash and investments as of December 31, 2014 are summarized as follows:

Cash on deposit	\$ 2,731,027
Investments	<u>2,482,708</u>
	<u>\$ 5,213,735</u>

Deposits

In accordance with Minnesota statutes, the Library is authorized to designate a depository for public funds and to invest in certificates of deposit. The Minnesota statutes require that all Library deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution’s banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes, and bond; issues of U.S. government agencies; general obligations rated “A” or better and revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

At December 31, 2014, the Library’s deposits had a carrying amount of \$2,731,027 and a bank balance of \$2,674,080 along with a money market balance of \$41,871. Of the balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held in safekeeping.

Investments

Minnesota statutes generally authorizes the following types of investments as available to the Library:

1. Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minnesota Statute.
2. Mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments.

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 2 CASH AND INVESTMENTS (continued)

Investments (continued)

3. General obligations of the State of Minnesota and its municipalities, and certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service.
4. Bankers' acceptances of United States banks.
5. Commercial paper issued by the United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less.
6. Repurchase agreements, securities lending agreements, joint powers in investment trusts and guaranteed investment contracts, with certain restrictions.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment.

	Fair Value	Investments Maturities in Years		
		Less than 1	1-5 Years	6+ Years
State and Local Government Bonds	\$ 1,103,166	\$ 237,596	\$ 865,570	\$ -
Federal National Mortgage Assn	258,635	-	174,297	84,338
Federal Home Loan Mortgage Corp	435,920	-	289,007	146,913
Government National Mortgage Assn	84,620	-	-	84,620
Federal Farm Credit Bank	330,434	-	330,434	-
United States Treasury Notes	269,933	-	269,933	-
	<u>\$2,482,708</u>	<u>\$ 237,596</u>	<u>\$1,929,241</u>	<u>\$ 315,871</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the Library's policy to invest only in securities that meet the ratings requirements set by state statute. The Library's investments are rated between an 'A' up to 'AAA', all of which qualify under MN Statute 118.A.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the Library's investment in a single issuer. The Library does not have a formal policy that addresses concentration of credit risk. The security types and amounts that exceed five percent of the Library's total investments are as follows:

Security Type	Amount	Percent
State and Local Government Bonds	\$ 1,103,166	44%
Federal Home Loan Mortgage Corp	435,920	18%
Federal National Mortgage Assn	258,635	10%
Federal Farm Credit Bank	330,434	13%
United States Treasury Notes	269,933	11%

**PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

NOTE 3 CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Vehicles	\$ 20,488	\$ -	\$ -	\$ 20,488
Furnishings and equipment	1,669,909	10,032	-	1,679,941
Books	4,174,958	-	-	4,174,958
Ill Automation System	80,390	33,650	-	114,040
	<u>5,945,745</u>	<u>43,682</u>	<u>-</u>	<u>5,989,427</u>
Depreciation and amortization	5,027,062	198,659	-	5,225,721
Total	<u>\$ 918,683</u>	<u>\$ (154,977)</u>	<u>\$ -</u>	<u>\$ 763,706</u>

NOTE 4 COMPENSATED ABSENCES

Vacation and sick pay are accrued when earned in the government-wide financial statements. Vacation can be accumulated to the amount 50% of leave earned in one calendar year. Maximum sick leave accumulation is 800 hours. Upon separation, sick pay is paid out at 25%. Totals earned and unpaid at December 31, 2014, are vacation \$44,411 and sick leave \$73,643. The Board has accrued a liability of \$118,054 these amounts.

NOTE 5 FUND BALANCES

	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Committed					
Vehicle purchase	\$ 22,000	\$ -	\$ -	\$ -	\$ 22,000
Automation	78,229	-	-	(78,229)	-
Vacation/sick pay	173,292	-	-	9,000	182,292
Computer & Equipment	149,936	-	-	53,750	203,686
ILS & Hard/Software	247,737	-	-	45	247,782
Committed	<u>\$ 671,194</u>				<u>\$ 655,760</u>

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2014

NOTE 5 FUND BALANCES (continued)

	Beginning Balance	Revenues	Expenditures	Adjustments	Ending Balance
Assigned					
Yellow Medicine Co. Extension	\$ 44,266	\$ 4,740	\$ 2,756	\$ -	\$ 46,250
Legacy	-	66,071	66,071	-	-
Telecom Grant	1,532,294	1,345,121	1,567,385	-	1,310,030
Children's Grant	-	-	-	-	-
PLS	737,098	434,514	407,309	(45)	764,258
Automation	54,439	280,090	317,378	78,229	95,380
Spicer Endowment	2,521	6,650	6,374	-	2,797
Dawson Endowment	2,355	80	-	-	2,435
Mardag Foundation	21,823	-	3,475	-	18,348
New London Endowment	6,698	1	-	-	6,699
Clara City	9,011	66,424	63,993	-	11,442
Maynard	15,187	29,805	30,826	-	14,166
Montevideo	38,949	188,789	175,858	(2,000)	49,880
Milan	22,852	28,439	23,859	-	27,432
Appleton	26,203	109,299	106,308	(3,000)	26,194
Dawson	74,537	95,478	88,002	-	82,013
Graceville	13,782	50,908	49,288	-	15,402
Ortonville	40,020	111,348	118,915	-	32,453
Madison	158,937	115,604	125,826	-	148,715
Canby	85,081	114,284	113,010	(2,000)	84,355
Kerkhoven	18,245	41,946	37,549	(2,300)	20,342
Benson	65,876	141,534	139,160	(13,000)	55,250
Atwater	61,142	46,199	42,809	-	64,532
Bird Island	7,154	44,273	49,866	1,500	3,061
Brownton	27,798	31,883	29,352	-	30,329
Cosmos	171,164	41,883	3,054	-	209,993
Dassel	59,793	45,129	41,973	(1,900)	61,049
Glencoe	56,039	134,180	133,952	(6,500)	49,767
Grove City	48,194	39,738	34,146	(1,050)	52,736
Hutchinson	123,593	260,557	249,540	(6,000)	128,610
Lake Lillian/Raymond	29,794	84,181	84,088	(2,000)	27,887
Litchfield	157,782	249,154	233,817	-	173,119
Renville	25,079	60,432	60,420	(5,000)	20,091
Spicer/New London	23,594	99,316	106,108	-	16,802
Willmar	292,855	589,763	527,061	(5,000)	350,557
Winsted	12,479	34,531	32,512	(2,000)	12,498
Hector	25,756	53,556	57,789	(3,000)	18,523
Granite Falls	29,428	124,281	101,307	-	52,402
Olivia	68,692	130,003	109,670	(11,500)	77,525
Fairfax	6,754	53,453	55,793	2,000	6,414
Assigned	<u>\$ 4,197,264</u>				<u>\$ 4,169,736</u>

**PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE

Plan Description

All full-time and certain part-time employees of Pioneerland Library System are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), the Public Employees Police and Fire Fund (PEPFF), and the Local Government Correctional Service Retirement Fund (LGCSRF), which are cost sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

**PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2014**

NOTE 6 DEFINED BENEFIT PENSION PLANS – STATEWIDE (continued)

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The Pioneerland Library System makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic Plan members and Coordinated Plan members are required to contribute 9.1% and 6.25% respectively, of their annual covered salary in 2014. In 2014, the Pioneerland Library System was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members and 7.25% for Coordinated Plan members. Contribution rates will increase on January 1, 2015 in the Coordinated Plan, 6.5% for members and 7.5% for employers. The Pioneerland Library System's contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013, and 2012 were \$133,063, \$134,220 and \$138,010, respectively. The Pioneerland Library System's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 7 LEASE COMMITMENTS

Pioneerland Library System has entered into a number of operating leases, which contain cancellation provisions and are subject to annual appropriations. Lease expenditures for the year ended December 31, 2014 was \$36,126.

June 14, 2011, the Library renewed its lease agreement through December 2016 with Kandiyohi County. The lease expired in 2011 and the Library signed another contract to continue through December 2016 with an option to cancel with a six month written notice.

The future lease payments are as follows:

2015	\$ 37,209
2016	38,326

NOTE 8 CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Library System expects such amounts, if any, to be immaterial.

NOTE 9 LONG-TERM CONTRACT

During 2014, the Library signed a long-term contract with a broadband provider to service the various libraries located in the region. The contract is set to expire June 30, 2017. The monthly recurring charge of such service is \$207,600. This fee is expected to be supplemented by grant dollars to limit the costs to the Library.

The future contract payments are as follows:

2015	\$ 2,491,200
2016	2,491,200
2017	1,245,600

NOTE 10 SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 30, 2015, which is the date the financial statements were available to be issued.

**PIONEERLAND LIBRARY SYSTEM
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL - GENERAL FUND
For The Year Ended December 31, 2014**

	Budget Amounts		Actual	Over (Under)
	Original	Final		Final Budget
REVENUES				
Operating				
State	\$ 465,450	\$ 465,450	\$ 449,647	\$ (15,803)
Counties	1,488,921	1,488,921	1,482,212	(6,709)
Cities	1,804,755	1,804,755	1,794,147	(10,608)
Gifts	27,900	27,900	34,692	6,792
Interest	51,100	51,100	55,920	4,820
Charges, fines	51,174	51,174	50,636	(538)
Copy machine, fax & equipment rental	17,664	17,664	29,305	11,641
Book sales	1,950	1,950	2,092	142
Grants	968,933	968,933	1,417,917	448,984
Other	44,637	44,637	92,435	47,798
Market gain	-	-	7,671	7,671
TOTAL REVENUES	<u>4,922,484</u>	<u>4,922,484</u>	<u>5,416,674</u>	<u>494,190</u>
EXPENDITURES				
Salaries and wages	2,115,998	2,115,998	1,921,796	(194,202)
Payroll tax	309,188	309,188	131,695	(177,493)
Employee benefits	263,847	263,847	390,855	127,008
Vehicle operation	71,200	71,200	68,754	(2,446)
Telephone and line charges	8,068	8,068	6,745	(1,323)
Postage and shipping	12,249	12,249	5,531	(6,718)
Equipment maintenance	18,057	18,057	18,689	632
Supplies	43,093	43,093	43,610	517
Promotion and programming	16,750	16,750	10,819	(5,931)
Mileage and meetings	20,500	20,500	10,636	(9,864)
Memberships and professional fees	102,237	102,237	118,745	16,508
Insurance	23,470	23,470	22,047	(1,423)
Continuing education	27,925	27,925	22,151	(5,774)
Central services	230,458	230,458	233,230	2,772
Grant expenditures	757,042	757,042	1,888,503	1,131,461
Rent	36,126	36,126	36,126	-
Sales tax	1,650	1,650	2,020	370
Capital outlay - automation system	88,000	88,000	73,381	(14,619)
Capital outlay - equipment	28,367	28,367	12,565	(15,802)
Capital outlay - books	383,068	383,068	387,264	4,196
TOTAL EXPENDITURES	<u>4,557,293</u>	<u>4,557,293</u>	<u>5,405,162</u>	<u>847,869</u>
CHANGE IN FUND BALANCE	365,191	365,191	11,512	(353,679)
FUND BALANCE BEGINNING OF YEAR	<u>4,778,014</u>	<u>4,778,014</u>	<u>4,778,014</u>	<u>-</u>
FUND BALANCE END OF YEAR	<u>\$ 5,143,205</u>	<u>\$ 5,143,205</u>	<u>\$ 4,789,526</u>	<u>\$ (353,679)</u>

See notes to required supplementary information.

PIONEERLAND LIBRARY SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2014

Budgets and Budgetary Accounting

The Library System prepares an annual budget consistent with its basis of accounting. Unexpended budgeted amounts are made available to the various libraries for use in their subsequent year budgets. Once approved, the Board may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

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

Board of Directors
Pioneerland Library System
Willmar, 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 general fund of Pioneerland Library System as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Pioneerland Library System's basic financial statements, and have issued our report thereon dated March 30, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library System's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library System's internal control

A deficiency in internal control over financial reporting 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 combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Recommendations as item 2007-2 and 2008-1 to be material weaknesses. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 2007-1 to be a significant deficiency in internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

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

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

Pioneerland Library System's responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Recommendations. The Pioneerland Library System's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Westberg Eischens, PLLP

Westberg Eischens, PLLP
Willmar, Minnesota
March 30, 2015

PIONEERLAND LIBRARY SYSTEM
Schedule of Findings and Recommendations
Year Ended December 31, 2014

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

Finding 2007-1

Criteria:

Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Condition:

Due to the limited size of the Organizations business staff, the Organization has limited segregation of duties.

Questioned Costs:

None

Context:

The Organization has informed us that the small size of its business office staff precludes proper separation of duties at this time.

Effect:

The Organization is unable to maintain separation of incompatible duties.

Cause:

Limited number of staff in the business office

Recommendation:

We recommend that the Organization continue to separate incompatible duties as best it can within the limits of what the Organization considers to be cost beneficial.

CORRECTIVE ACTION PLAN (CAP)

Finding 2007-1

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The Organization reviews and makes improvements to its internal controls on an ongoing basis, and attempts to maximize the segregation of duties in all areas within the limits of the staff available.

Officer Responsible for Ensuring CAP:

Not Applicable

Planned Completion Date:

Not Applicable

Plan to Monitor Completion of CAP:

Not Applicable

PIONEERLAND LIBRARY SYSTEM
Schedule of Findings and Recommendations (Continued)
Year Ended December 31, 2014

Finding 2007-2

Criteria:

Generally, a system of internal control includes the ability to understand and prepare the Organization's financial statements and related disclosures in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition:

Due to the limited size of the Organization's business staff and related resources available, the Organization has relied upon the auditor to prepare the financial statements and related disclosures in accordance with accounting principles generally accepted in the United States of America.

Questioned Costs:

None

Context:

The Organization has informed us that the small size of its business office staff and limited related resources preclude the Organization from preparing its own financial statements.

Effect:

The Organization is unable to prepare GAAP based financial statements.

Cause:

Limited number and qualifications of staff in the business office.

Recommendation:

We recommend that the Organization continue to review the auditor prepared financial statements with the intention of understanding and acceptance of responsibility for reporting under generally accepted accounting principles.

CORRECTIVE ACTION PLAN (CAP)

Finding 2007-2

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The Organization reviews draft financial statements with the auditor in an effort to increase management's understanding and to provide input into the required disclosures.

Officer Responsible for Ensuring CAP:

Not Applicable

Planned Completion Date:

Not Applicable

Plan to Monitor Completion of CAP:

Not Applicable

PIONEERLAND LIBRARY SYSTEM
Schedule of Findings and Recommendations (Continued)
Year Ended December 31, 2014

Finding 2008-1

Criteria:

A control deficiency 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 misstatements of the financial statements on a timely basis. A control deficiency that typically is considered significant is the identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal control.

Condition:

During our audit, we proposed numerous adjustments that resulted in significant changes to the Organization's financial statements.

Questioned Costs:

None

Context:

The Organization's limited size, training and qualifications of business office personnel have precluded the Organization from the ability to properly identify and correct financial misstatements.

Effect:

The Organization's inability to detect material misstatements in the financial statements increases the likelihood that the financial statements may not be fairly presented.

Cause:

Inadequate internal controls and monitoring of internal controls by qualified Organization personnel.

Recommendation:

We recommend that the Organization review internal controls currently in place, then design and implement procedures to improve internal controls over financial reporting to detect misstatements in the financial statements.

CORRECTIVE ACTION PLAN (CAP)

Finding 2008-1

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The Library will continue to review internal controls and work to design modifications that will increase internal control and the ability to detect material misstatements.

Officer Responsible for Ensuring CAP:

Director

Planned Completion Date:

Not Applicable

Plan to Monitor Completion of CAP:

Not Applicable

PIONEERLAND LIBRARY SYSTEM
Schedule of Findings and Recommendations (Continued)
Year Ended December 31, 2014

**II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH
MINNESOTA COMPLIANCE**

Previously Resolved

Finding 2013-1

Criteria:

Minn. Stat. § 118A.03 requires that all Organization deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Condition:

At December 31, 2013, the Organization had \$165,846 in deposits that were exposed to custodial risk.

Questioned Costs:

None

Context:

The Organization experienced significant deposits at year end generating large bank balances.

Effect:

The Organization is exposed to custodial credit risk.

Cause:

Lack of adequate collateral

Recommendation:

We recommend that the Organization monitor deposits

CORRECTIVE ACTION PLAN (CAP)

Finding 2013-1

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

In the future, adequate collateral will be maintained and monitored.

Officer Responsible for Ensuring CAP:

Director

Planned Completion Date:

Immediately

Plan to Monitor Completion of CAP:

The Board will monitor the CAP