

**PIONEERLAND LIBRARY SYSTEM
WILLMAR, MINNESOTA**

**FINANCIAL STATEMENTS
December 31, 2021**

Westberg Eischens, PLLP
Certified Public Accountants
Willmar, Minnesota 56201

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-9
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	10
Statement of Activities.....	11
Fund Financial Statements	
Balance Sheet	12
Reconciliation of the Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balance.....	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	15
NOTES TO FINANCIAL STATEMENTS.....	16-27
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule	
Budget and Actual – General Fund	28
Schedule of Proportionate Share of Net Pension Liability.....	29
Schedule of Employer Contributions	30
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	31-33
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 <i>GOVERNMENT AUDITING STANDARDS</i>	34-35
SCHEDULE OF FINDINGS AND RECOMMENDATIONS	36-38
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	39



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pioneerland Library System
Willmar, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and general fund of the Pioneerland Library System (the Library), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Pioneerland 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 general fund of the Pioneerland Library System, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof 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 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 Pioneerland 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 the 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 Pioneerland 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.

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 generally accepted auditing standards 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 generally accepted auditing standards 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 Pioneerland 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 Pioneerland 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2022 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 effectiveness of Pioneerland 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 Pioneerland Library System's internal control over financial reporting and compliance.

Westberg Eischens, PLLP

Westberg Eischens, PLLP
Willmar, Minnesota

April 6, 2022

PIONEERLAND LIBRARY SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION

**PIONEERLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Prepared by Laurie Ortega, Executive Director

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 management's discussion and analysis (MD&A) of its financial performance during the fiscal year ended December 31, 2021, 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, 2021, 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 Library's single government activities financial statements for December 31, 2021, reports 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 \$6.92 million at December 31, 2021. Total deferred outflows of resources were approximately \$933 thousand at December 31, 2021. Total liabilities of the Library were approximately \$2.15 million at December 31, 2021. Total deferred inflows of resources were approximately \$1.25 million at December 31, 2021. Thus, total net position was approximately \$4.45 million at December 31, 2021.
- Total revenue increased by approximately \$99 thousand during the year ended December 31, 2021. Total revenues were approximately \$4.89 million for the year ended December 31, 2021.
- Total expenses increased by approximately \$120 thousand during the year ended December 31, 2021. Total expenses were approximately \$4.68 million for the year ended December 31, 2021.
- Net position increased by approximately \$209 thousand for the year ended December 31, 2021.

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*".

**PIONEERLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Library Financial Statements (continued)

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 minus liabilities equal net position. Net position is broken down into the following categories:

- *Net investment in capital assets* - consists of all capital assets net of accumulated depreciation and reduced by the outstanding balances of the capital assets' related debt.
- *Restricted net position* - consists of assets which uses are restricted by donors, grantors, or other legally binding obligations.
- *Unrestricted net position* - consists of net position that does not meet the definition of net investment 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
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Net Position

Table I reflects the Library's condensed summary of the statement of net position as of December 31, 2021, with comparative amounts for 2020.

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

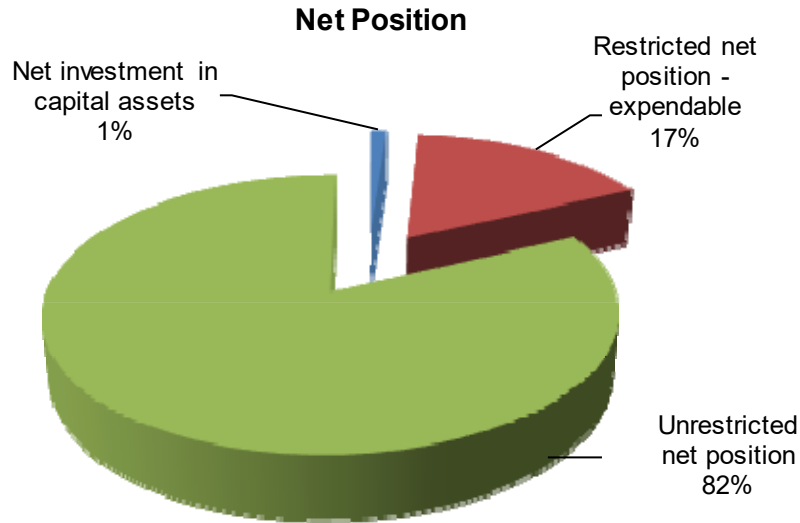
<u>Description</u>	<u>2021</u>	<u>2020</u>	<u>Change</u>
Current and other assets	\$ 6,868,107	\$ 6,703,405	\$ 164,702
Capital assets, net	<u>49,771</u>	<u>71,846</u>	<u>(22,075)</u>
Total assets	<u>6,917,878</u>	<u>6,775,251</u>	<u>142,627</u>
Deferred outflows related to pension	<u>932,776</u>	<u>178,791</u>	<u>753,985</u>
Total deferred outflows of resources	<u>932,776</u>	<u>178,791</u>	<u>753,985</u>
Current liabilities	671,598	565,746	105,852
Long-term liabilities	<u>1,475,834</u>	<u>2,011,417</u>	<u>(535,583)</u>
Total liabilities	<u>2,147,432</u>	<u>2,577,163</u>	<u>(429,731)</u>
Deferred inflows related to pension	<u>1,252,860</u>	<u>135,950</u>	<u>1,116,910</u>
Total deferred inflows of resources	<u>1,252,860</u>	<u>135,950</u>	<u>1,116,910</u>
Net position			
Net investment in capital assets	49,771	71,846	(22,075)
Restricted net position	749,509	736,484	13,025
Unrestricted net position	<u>3,651,082</u>	<u>3,432,599</u>	<u>218,483</u>
Total net position	<u>\$ 4,450,362</u>	<u>\$ 4,240,929</u>	<u>\$ 209,433</u>

Investments in capital assets comprise about 1% of the Library's total assets and about 1% 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 in which uses have been restricted, and endowments in which the net position earnings are expendable as designated by the donor while the principal of the net position is permanently held. Unrestricted net position 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 for net investment in capital assets, restricted net position, and unrestricted net position:

**PIONEERLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Net Position (continued)



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>2021</u>	<u>2020</u>	<u>Change</u>
Revenues:			
Program revenues			
Intergovernmental	\$ 4,096,041	\$ 4,092,395	\$ 3,646
Grants	641,039	521,961	119,078
Charges for services	42,688	25,926	16,762
Gifts	62,370	14,814	47,556
General revenues			
Interest income	66,267	61,058	5,209
Market gain (loss) on investments - net	(94,241)	29,477	(123,718)
Other income	78,539	48,482	30,057
Total revenues	<u>4,892,703</u>	<u>4,794,113</u>	<u>98,590</u>
Expenses:			
Program expenses			
Salaries including related taxes and benefits	2,687,410	2,689,895	(2,485)
Grant expenditures	732,455	682,721	49,734
Books, periodicals, and videos	377,543	365,369	12,174
Depreciation	38,785	137,768	(98,983)
Other	847,077	687,431	159,646
Total expenses	<u>4,683,270</u>	<u>4,563,184</u>	<u>120,086</u>
Increase in net position	209,433	230,929	(21,496)
Net position January 1	<u>4,240,929</u>	<u>4,010,000</u>	<u>230,929</u>
Net position December 31	<u>\$ 4,450,362</u>	<u>\$ 4,240,929</u>	<u>\$ 209,433</u>

**PIONEERLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statement of Activities (continued)

Grant revenues increased by \$119,078 due to an increase in miscellaneous grant receivables.

Market gain (loss) on investments decreased by \$123,718 with the market fluctuations occurring during 2021.

Grant expenditures increased by \$49,734 reasonably with the increase in grant revenues during 2021.

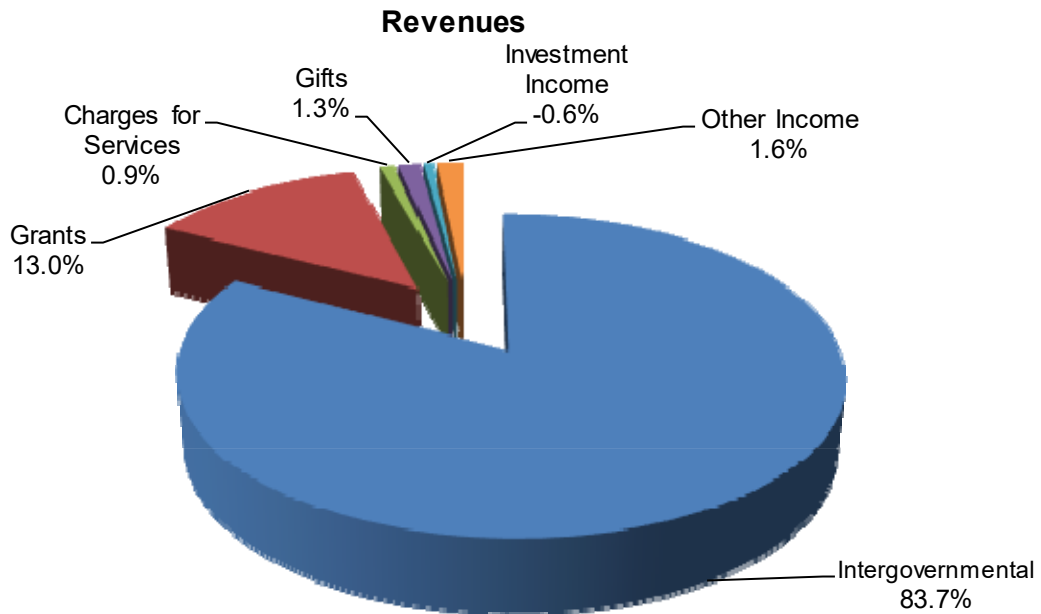
Depreciation expense decreased \$98,983 due to assets becoming fully depreciated in 2021.

Other expense items increased \$159,646 due to the Library purchasing Chromebooks and software subscriptions with grant revenue received during 2021.

Financial Analysis of the Organization as a Whole

Revenue from the state was consistent in 2021 with prior year in the Regional Library Basic Support System funds.

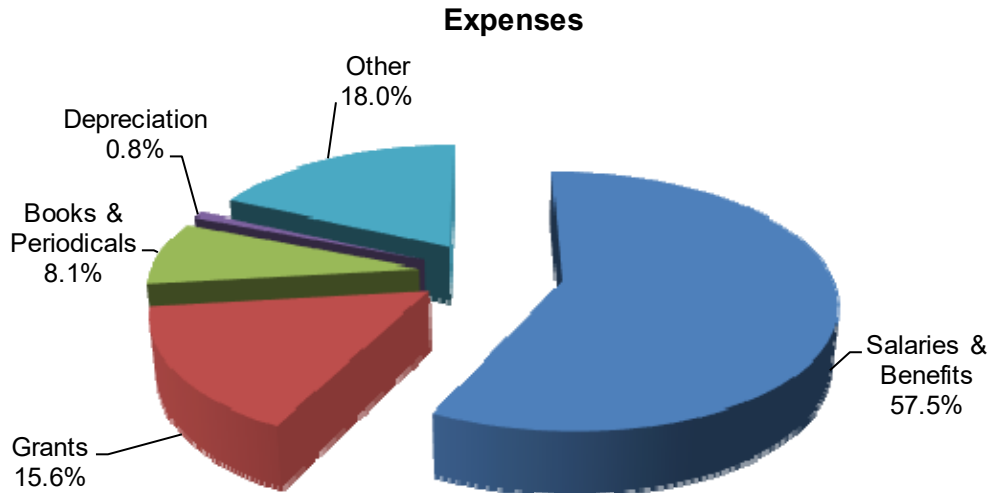
The Library's revenue is substantially received from six sources: city, county, state, federal grants/special projects, investment income, and other (fees, gifts, and charges). The following graph illustrates the major sources of these revenues and related percentages:



**PIONEERLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Financial Analysis of the Organization as a Whole (continued)

For the year ended December 31, 2021, the Library incurred operating expenses of \$4.68 million. The following graph illustrates the major expense groups and the percent of the total expense each represents for the year ending December 31, 2021:



General Fund Budgetary Highlights

Over the course of the year, the Library's Board of Directors did not revise the budget.

Capital Assets

The Library's capital assets as of December 31, 2021, 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, 2021**

<u>Description</u>	<u>Beginning Balance</u>	<u>Net Additions/ (Deletions)</u>	<u>Ending Balance</u>
Vehicles	\$ 20,488	\$ -	\$ 20,488
Furniture and Equipment	2,203,674	16,710	2,220,384
Books	4,174,958	-	4,174,958
Ill Automation System	114,040	-	114,040
	<u>6,513,160</u>	<u>16,710</u>	<u>6,529,870</u>
Depreciation	<u>6,441,314</u>	<u>38,785</u>	<u>6,480,099</u>
Total	<u>\$ 71,846</u>	<u>\$ (22,075)</u>	<u>\$ 49,771</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 Executive Director, Pioneerland Library System, P.O. Box 327, Willmar, MN 56201.

PIONEERLAND LIBRARY SYSTEM
BASIC FINANCIAL STATEMENTS

PIONEERLAND LIBRARY SYSTEM
STATEMENT OF NET POSITION
December 31, 2021

ASSETS	
Cash and cash equivalents	\$ 4,044,600
Investments	2,738,848
Receivables	80,522
Prepaid expenses	4,137
Capital assets, net of accumulated depreciation	
Furniture and equipment	39,207
Books	<u>10,564</u>
TOTAL ASSETS	<u>6,917,878</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	<u>932,776</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>932,776</u>
 LIABILITIES	
Accounts payable	57,623
Accrued wages	134,766
Accrued payroll taxes	18,868
Unearned revenue	460,341
Long-term liabilities	
Compensated absences	151,995
Net pension liability	<u>1,323,839</u>
TOTAL LIABILITIES	<u>2,147,432</u>
 DEFERRED INFLOWS OF RESOURCES	
Related to pensions	<u>1,252,860</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,252,860</u>
 NET POSITION	
Net investment in capital assets	49,771
Restricted net position-expendable	749,509
Unrestricted net position	<u>3,651,082</u>
TOTAL NET POSITION	<u>\$ 4,450,362</u>

The notes to the financial statements are an integral part of this statement.

PIONEERLAND LIBRARY SYSTEM
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Pioneerland Library System	\$ 4,683,270	\$ 42,688	\$ 4,799,450	\$ -	\$ 158,868
Permanent endowment					
General revenue					
Other income					78,539
Investment loss - net					<u>(27,974)</u>
Total general revenue					<u>50,565</u>
Change in net position					209,433
Net position, Beginning					<u>4,240,929</u>
Net position, Ending					<u>\$ 4,450,362</u>

The notes to the financial statements are an integral part of this statement.

**PIONEERLAND LIBRARY SYSTEM
BALANCE SHEET
GENERAL FUND
December 31, 2021**

ASSETS

Cash and cash equivalents	\$ 4,044,600
Investments	2,738,848
Accounts receivable	80,522
Prepaid expenses	<u>4,137</u>

TOTAL ASSETS **\$ 6,868,107**

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 57,623
Accrued salaries	134,766
Accrued payroll tax	18,868
Unearned revenue	<u>460,341</u>
Total liabilities	<u>671,598</u>

Fund Balance

Nonspendable - prepaids	4,137
Committed	749,509
Assigned	5,279,765
Unassigned	<u>163,098</u>
Total fund balance	<u>6,196,509</u>

TOTAL LIABILITIES AND FUND BALANCE **\$ 6,868,107**

The notes to the financial statements are an integral part of this statement.

PIONEERLAND LIBRARY SYSTEM
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
December 31, 2021

Total fund balance - general fund	\$ 6,196,509
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in government funds.</p>	
Cost of capital assets	6,529,870
Less accumulated depreciation	(6,480,099)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>	
Deferred outflows of resources related to pensions	932,776
Deferred inflows of resources related to pensions	(1,252,860)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>	
Accrued compensated absences	(151,995)
Net Pension Liability	<u>(1,323,839)</u>
Total net position - government activities	<u>\$ 4,450,362</u>

The notes to the financial statements are an integral part of this statement.

PIONEERLAND LIBRARY SYSTEM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
For the Year Ended December 31, 2021

REVENUES

Intergovernmental	
State	\$ 456,256
Counties	1,642,280
Cities	1,992,463
Gifts	62,370
Interest income	66,267
Charges and fines	21,071
Copy machine, fax, and equipment rental	19,976
Book sales	1,641
Grants	641,039
Other	78,539
Market loss on investments - net	<u>(94,241)</u>
TOTAL REVENUES	<u>4,887,661</u>

EXPENDITURES

Current	
Salaries and wages	2,265,068
Payroll tax	158,555
Employee benefits	431,403
Vehicle operation	74,847
Telephone and line charges	7,651
Postage and shipping	4,892
Equipment maintenance	44,617
Supplies	77,130
Promotion and programming	53,640
Mileage and meetings	370
Professional fees and memberships	22,570
Insurance	20,608
Continuing education	41,800
Central services	332,918
Grant expenditures	732,455
Rent	44,430
Sales tax	1,516
Capital outlay	
Automation system	108,524
Equipment	28,274
Books	<u>377,543</u>
TOTAL EXPENDITURES	<u>4,828,811</u>

CHANGE IN FUND BALANCE 58,850

FUND BALANCE, BEGINNING OF YEAR 6,137,659

FUND BALANCE, END OF YEAR \$ 6,196,509

The notes to the financial statements are an integral part of this statement.

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, 2021

Total net change in fund balance	\$ 58,850
Amounts reported for governmental activities in the statement of activities are different because:	
<p>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.</p>	
Depreciation expense	(38,785)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Portion of state PERA contribution	5,042
<p>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.</p>	
Vacation and severance benefits	(17,156)
Pension expense	<u>184,772</u>
Change in net position - governmental activities	<u>\$ 209,433</u>

The notes to the financial statements are an integral part of this statement.

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

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-five-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) 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) grants 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 a 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.

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.

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. Pioneerland Library System has one item that qualifies for reporting in this category – a deferred outflow relating to pension activity, reported in the government-wide statement of net position. A deferred outflow relating to pension activity results from the net effect of the change in proportionate share and employer contributions.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Pioneerland Library System has one item that qualifies for reporting in this category under full accrual basis of accounting. Accordingly, the item, deferred inflow is reported in the government-wide statement of net position. A deferred inflow relating to pension activity is a result of the net difference between projected and actual earnings on plan investments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions

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 except that PERA's fiscal year end is June 30. 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.

Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net investment in capital assets is 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.

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 five 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.

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, 2021, are summarized as follows:

Cash on deposit	\$ 4,044,600
Investments	<u>2,738,848</u>
	<u>\$ 6,783,448</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.

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 CASH AND INVESTMENTS (continued)

Deposits (continued)

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, 2021, the Library’s deposits had a carrying amount of \$4,044,600 and a bank balance of \$4,040,735 along with a money market balance of \$2,772. 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.
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	\$ 1,563,536	\$ 80,172	\$ 1,189,526	\$ 293,838
Federal National Mortgage Assn	160,716	-	160,716	-
Federal Home Loan Bank	163,507	-	90,009	73,498
Federal Home Loan Mortgage Corp	458,215	-	242,260	215,955
Government National Mortgage Assn	9,077	-	-	9,077
Freddie Mac	3,167	-	3,167	-
Fannie Mae	15,620	-	-	15,620
Federal Farm Credit Bank	288,715	-	249,065	39,650
United States Treasury Notes	76,295	-	76,295	-
	<u>\$ 2,738,848</u>	<u>\$ 80,172</u>	<u>\$ 2,011,038</u>	<u>\$ 647,638</u>

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 CASH AND INVESTMENTS (continued)

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	\$ 1,563,536	57%
Federal National Mortgage Assn	\$ 160,716	6%
Federal Home Loan Bank	\$ 163,507	6%
Federal Home Loan Mortgage Corp	\$ 458,215	17%
Federal Farm Credit Bank	\$ 288,715	11%

NOTE 3 CAPITAL ASSETS

	Beginning Balance	Additions	Deletions	Ending Balance
Vehicles	\$ 20,488	\$ -	\$ -	\$ 20,488
Furnishings and equipment	2,203,674	16,710	-	2,220,384
Books	4,174,958	-	-	4,174,958
Ill Automation System	114,040	-	-	114,040
	6,513,160	16,710	-	6,529,870
Depreciation	6,441,314	38,785	-	6,480,099
Total	<u>\$ 71,846</u>	<u>\$ (22,075)</u>	<u>\$ -</u>	<u>\$ 49,771</u>

NOTE 4 COMPENSATED ABSENCES

Vacation and sick pay are accrued when earned in the government-wide financial statements. Vacation can be accumulated up to the amount of 75% 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, 2021, are vacation of \$82,269 and sick leave of \$69,726. The Board has accrued a liability of \$151,995 for these amounts.

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 5 FUND BALANCE CLASSIFICATION

At December 31, 2021, the governmental fund balance classifications are as follows:

	Beginning Balance	Revenues	Expenditures	Adjustments	Ending Balance
Committed					
Vehicle purchase	\$ 22,000	\$ -	\$ -	\$ -	\$ 22,000
Vacation/sick pay	197,491	-	-	-	197,491
Computer & Equipment	233,845	-	-	13,000	246,845
ILS & Hard/Software	283,148	25	-	-	283,173
Total Committed	<u>\$ 736,484</u>				<u>\$ 749,509</u>
Assigned					
Yellow Medicine Co. Extension	\$ 60,529	\$ 5,438	\$ 2,559	\$ -	\$ 63,408
Legacy	-	158,584	158,584	-	-
Telecom Grant	1,600,456	441,346	529,442	-	1,512,360
PLS	1,131,184	493,096	460,262	-	1,164,018
Automation	(24,219)	281,022	288,079	-	(31,276)
Spicer Endowment	31,834	6,003	4,913	-	32,924
New London Endowment	681	-	-	-	681
Willmar Endowment	57,466	10,005	-	-	67,471
Clara City	53,127	75,620	79,557	-	49,190
Maynard	15,863	35,430	37,886	-	13,407
Montevideo	161,944	223,062	217,166	-	167,840
Milan	15,362	30,984	32,236	-	14,110
Appleton	55,934	128,769	115,668	-	69,035
Dawson	17,134	113,505	101,171	-	29,468
Graceville	12,134	59,918	55,483	-	16,569
Ortonville	41,183	127,649	127,462	-	41,370
Madison	45,207	119,156	125,712	-	38,651
Canby	53,105	120,209	118,851	-	54,463
Kerkhoven	42,027	47,049	38,806	-	50,270
Benson	52,251	160,938	161,845	-	51,344
Atwater	55,641	50,523	57,645	-	48,519
Bird Island	30,453	49,238	41,735	-	37,956
Brownton	56,308	35,069	36,731	-	54,646
Cosmos	148,135	42,107	38,842	-	151,400
Dassel	48,122	54,458	53,010	-	49,570
Glencoe	31,720	147,553	156,304	-	22,969
Grove City	67,956	43,000	38,938	-	72,018
Hutchinson	132,426	280,081	281,262	-	131,245
Lake Lillian/Raymond	44,930	91,219	85,615	-	50,534
Litchfield	201,546	270,702	266,783	-	205,465
Renville	37,182	55,374	55,270	-	37,286
Spicer/New London	52,160	108,456	104,745	-	55,871
Willmar	542,166	632,467	593,462	-	581,171
Winsted	12,833	38,613	39,963	-	11,483
Hector	35,299	54,475	48,517	-	41,257

**PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2021**

NOTE 5 FUND BALANCE CLASSIFICATION (continued)

	Beginning Balance	Revenues	Expenditures	Adjustments	Ending Balance
Assigned (continued)					
Granite Falls	\$ 160,875	\$ 130,170	\$ 97,274	\$ -	\$ 193,771
Olivia	62,326	137,899	120,979	-	79,246
Fairfax	48,458	56,536	54,939	-	50,055
Total Assigned	<u>\$ 5,191,738</u>				<u>\$ 5,279,765</u>

NOTE 6 DEFINED BENEFIT PENSION PLAN

A. Plan Description

Pioneerland Library System participates in the following cost-sharing multiple-employer defined benefit pension plan 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 defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan

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

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

1. General Employees Plan Benefits

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 Plan members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus year 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% of the cost-of-living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1% and a maximum of 1.5%. 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.

**PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2021**

NOTE 6 DEFINED BENEFIT PENSION PLAN (continued)

C. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2021 and Pioneerland Library System was required to contribute 7.50% for Coordinated Plan members. Pioneerland Library System's contributions to the General Employees Fund for the year ended December 31, 2021 were \$169,494. Pioneerland Library System's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Cost

At December 31, 2021, Pioneerland Library System reported a liability of \$1,323,839 for its proportionate share of the General Employees Fund's net pension liability. Pioneerland 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 Pioneerland Library System's totaled \$40,495.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Pioneerland Library System's proportionate share of the net pension liability was based on Pioneerland Library System's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. Pioneerland Library System's proportionate share was .0310% at the end of the measurement period and .0313% for the beginning of the period.

The Library's proportionate share of the net pension liability	\$ 1,323,839
State of Minnesota's proportionate share	
of the net pension liability associated with the Library	<u>40,495</u>
Total	<u>\$ 1,364,334</u>

For the year ended December 31, 2021, Pioneerland Library System recognized pension expense of \$111,219 for its proportionate share of the General Employees Plan's pension expense. In addition, Pioneerland Library System recognized an additional \$5,042 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2021**

NOTE 6 DEFINED BENEFIT PENSION PLAN (continued)

D. Pension Costs (continued)

1. General Employees Fund Pension Cost (continued)

At December 31, 2021, Pioneerland Library System reported its proportionate share of the General Employees Plan'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	\$ 7,845	\$ 40,559
Changes in actuarial assumptions	808,309	29,147
Net collective difference between projected and actual investment earnings	-	1,146,087
Changes in proportion	38,702	37,067
Contributions paid to PERA subsequent to the measurement date	<u>77,921</u>	<u>-</u>
Total	<u>\$ 932,777</u>	<u>\$ 1,252,860</u>

The \$77,921 reported as deferred outflows of resources related to pensions resulting from Pioneerland Library System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Pension Expense Amount</u>
2022	\$ (66,112)
2023	(4,808)
2024	(14,374)
2025	(312,710)

The total pension expense for all plans recognized by Pioneerland Library System for the year ended December 31, 2021 was \$111,219.

**PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2021**

NOTE 6 DEFINED BENEFIT PENSION PLAN (continued)

E. Long-Term Expected Return on Investment

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 rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
	100.0%	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021, 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 6.50%. 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 6.50% was deemed to be within that range of reasonableness for financial reporting purposes.

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

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter.

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 and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 6 DEFINED BENEFIT PENSION PLAN (continued)

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50%. 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 position of the General Employees Fund was 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.

H. Pension Liability Sensitivity

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

Sensitivity Analysis			
<i>Net Pension Liability (Asset) at Different Discount Rates</i>			
	<u>General Employees Fund</u>		
1% Lower	5.50%	\$	2,699,956
Current Discount Rate	6.50%	\$	1,323,839
1% Higher	7.50%	\$	194,651

I. Pension Plan Fiduciary Net Position

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

NOTE 7 LEASE COMMITMENTS

Pioneerland Library System has entered into an operating lease with Kandiyohi County for rental space, which contain cancellation provisions and are subject to annual appropriations. On January 1, 2022, the Library renewed its lease agreement through December 2023 with Kandiyohi County, with an option to cancel with a six-month written notice. Lease expenditures for the year ended December 31, 2021, was \$44,430.

The future lease payments are as follows:

<u>Year</u>	<u>Future Lease Payment</u>
2022	\$ 44,430
2023	\$ 45,319

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.

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 9 LONG-TERM CONTRACTS

During 2017, the Library signed a long-term contract with a broadband provider to service the various libraries located in the region. The contract originally expired on June 30, 2020, but the Library exercised the first one-year extension option included in the service agreement to extend the contract to June 30, 2021. On June 30, 2021, the Library exercised the second one-year extension option included in the service agreement to extend the contract to June 30, 2022. The monthly recurring charge of such service is \$36,762. This fee is expected to be supplemented by grant dollars to limit the costs to the Library.

The future contract payments are as follows:

<u>Year</u>	<u>Future Contract Payment</u>
2022	\$ 220,572

NOTE 10 SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 6, 2022, 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, 2021**

	Budget Amounts		Actual	Over (Under)
	Original	Final		Final Budget
REVENUES				
Intergovernmental				
State	\$ 459,000	\$ 459,000	\$ 456,256	\$ (2,744)
Counties	1,635,744	1,635,744	1,642,280	6,536
Cities	1,993,737	1,993,737	1,992,463	(1,274)
Gifts	22,145	22,145	62,370	40,225
Interest	10,100	10,100	66,267	56,167
Charges, fines	33,645	33,645	21,071	(12,574)
Copy machine, fax, and equipment rental	17,700	17,700	19,976	2,276
Book sales	1,270	1,270	1,641	371
Grants	499,233	499,233	641,039	141,806
Other	46,690	46,690	78,539	31,849
Market gain (loss)	-	-	(94,241)	(94,241)
TOTAL REVENUES	<u>4,719,264</u>	<u>4,719,264</u>	<u>4,887,661</u>	<u>168,397</u>
EXPENDITURES				
Current				
Salaries and wages	2,383,478	2,383,478	2,265,068	(118,410)
Payroll tax	348,090	348,090	158,555	(189,535)
Employee benefits	284,806	284,806	431,403	146,597
Vehicle operation	75,500	75,500	74,847	(653)
Telephone and line charges	7,705	7,705	7,651	(54)
Postage and shipping	7,115	7,115	4,892	(2,223)
Equipment maintenance	37,851	37,851	44,617	6,766
Supplies	49,960	49,960	77,130	27,170
Promotion and programming	47,600	47,600	53,640	6,040
Mileage and meetings	6,000	6,000	370	(5,630)
Memberships and professional fees	14,920	14,920	22,570	7,650
Insurance	17,644	17,644	20,608	2,964
Continuing education	27,400	27,400	41,800	14,400
Central services	407,588	407,588	332,918	(74,670)
Grant expenditures	681,894	681,894	732,455	50,561
Rent	44,450	44,450	44,430	(20)
Sales tax	1,680	1,680	1,516	(164)
Capital outlay				
Automation system	88,428	88,428	108,524	20,096
Equipment	64,800	64,800	28,274	(36,526)
Books	421,725	421,725	377,543	(44,182)
TOTAL EXPENDITURES	<u>5,018,634</u>	<u>5,018,634</u>	<u>4,828,811</u>	<u>(189,823)</u>
CHANGE IN FUND BALANCE	(299,370)	(299,370)	58,850	<u>\$ 358,220</u>
FUND BALANCE BEGINNING OF YEAR	<u>6,137,659</u>	<u>6,137,659</u>	<u>6,137,659</u>	
FUND BALANCE END OF YEAR	<u>\$ 5,838,289</u>	<u>\$ 5,838,289</u>	<u>\$ 6,196,509</u>	

See notes to required supplementary information.

**PIONEERLAND LIBRARY SYSTEM
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
GENERAL EMPLOYEES RETIREMENT FUND**

<u>Fiscal Year Ending</u>	<u>Employer's Proportion (Percentage) of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset)</u>	<u>State's Proportionate Share (Amount) of the Net Pension Liability Associated with the Library</u>	<u>Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated With the Library</u>	<u>Employer's Covered-Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2021	0.0310%	\$ 1,323,839	\$ 40,495	\$ 1,364,334	\$ 2,234,133	59.3%	87.0%
June 30, 2020	0.0313%	\$ 1,876,578	\$ 57,929	\$ 1,934,507	\$ 2,234,133	84.0%	79.1%
June 30, 2019	0.0299%	\$ 1,653,104	\$ 51,331	\$ 1,704,435	\$ 2,116,693	78.1%	80.2%
June 30, 2018	0.0316%	\$ 1,753,038	\$ 57,438	\$ 1,810,476	\$ 2,123,853	82.5%	79.5%
June 30, 2017	0.0324%	\$ 2,068,395	\$ 26,004	\$ 2,094,399	\$ 2,086,920	99.1%	75.9%
June 30, 2016	0.0321%	\$ 2,606,361	\$ 34,020	\$ 2,640,381	\$ 1,993,427	130.7%	68.9%
June 30, 2015	0.0332%	\$ 1,720,596	\$ -	\$ 1,720,596	\$ 2,015,822	85.4%	78.2%

Note: Schedules are intended to show a 10 year trend. Additional years will be reported as they become available.

See notes to required supplementary information.

**PIONEERLAND LIBRARY SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
GENERAL EMPLOYEES RETIREMENT FUND**

<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
December 31, 2021	\$ 169,494	\$ 169,494	\$ -	\$ 2,259,920	7.50%
December 31, 2020	\$ 165,011	\$ 165,011	\$ -	\$ 2,200,147	7.50%
December 31, 2019	\$ 164,221	\$ 164,221	\$ -	\$ 2,189,613	7.50%
December 31, 2018	\$ 156,802	\$ 156,802	\$ -	\$ 2,090,693	7.50%
December 31, 2017	\$ 154,638	\$ 154,638	\$ -	\$ 2,061,840	7.50%
December 31, 2016	\$ 155,317	\$ 155,317	\$ -	\$ 2,070,893	7.50%
December 31, 2015	\$ 148,839	\$ 148,839	\$ -	\$ 1,984,520	7.50%

Note: Schedules are intended to show a 10 year trend. Additional years will be reported as they become available.

PIONEERLAND LIBRARY SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

NOTE 1 BUDGETARY INFORMATION

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.

NOTE 2 CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS

General Employees Fund

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions:

- 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.
- 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.

Changes in Plan Provisions:

- 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.

PIONEERLAND LIBRARY SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

NOTE 2 CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (continued)

General Employees Fund (continued)

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- 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

Changes in Actuarial Assumptions:

- The morality projection scale 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.

Changes in Plan Provisions:

- 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% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, 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% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, 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

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

Changes in Plan Provisions:

- 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 changes 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.

PIONEERLAND LIBRARY SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

NOTE 2 CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (continued)

General Employees Fund (continued)

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% 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.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2030 and 2.5% per year thereafter to 1.00% per year through 2035 and 2.5% per year thereafter.

Changes in Plan Provisions:

- 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; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.



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, 2021, 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 April 6, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pioneerland 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 opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library'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 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 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Recommendations as items 2021-001, 2021-002, and 2021-003 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library'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

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 contracting and bidding, deposits and 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 Pioneerland Library System's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Pioneerland Library System's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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

April 6, 2022

**PIONEERLAND LIBRARY SYSTEM
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended December 31, 2021**

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

Finding 2021-001

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 Organization's 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.

Repeat Finding:

This finding was reported in the prior year as finding 2020-001.

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 2021-001

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
Year Ended December 31, 2021**

**I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (continued)**

Finding 2021-002

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.

Repeat Finding:

This finding was reported in the prior year as finding 2020-002.

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 2021-002

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
Year Ended December 31, 2021**

**I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (continued)**

Finding 2021-003

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.

Repeat Finding:

This finding was reported in the prior year as finding 2020-003.

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 2021-003

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
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2021**

II. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2020-001

Condition:

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

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.

Current Status:

Unresolved.

Finding 2020-002

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.

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.

Current Status:

Unresolved.

Finding 2020-003

Condition:

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

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.

Current Status:

Unresolved.