

**PIONEERLAND LIBRARY SYSTEM
WILLMAR, MINNESOTA**

**FINANCIAL STATEMENTS
December 31, 2024**

Westberg Eischens, PLLP
Certified Public Accountants
Willmar, Minnesota 56201

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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, 2024, 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, 2024, 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.

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 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 17, 2025, 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, 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 17, 2025

**PIONEERLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024**

Prepared by Laurie Ortega, Executive Director

INTRODUCTION

The Pioneerland Library System (the Library) is a regional public library system organized under the provisions of Minnesota's Chapters 134.001 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'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"*.

The Library presents this management's discussion and analysis (MD&A) of its financial performance during the year ended December 31, 2024, to assist the reader in focusing on significant financial issues and concerns.

Financial Highlights

The Library's financial highlights include the following:

- Total revenue increased by approximately \$306,000 compared to the prior year.
- Total expenses decreased by approximately \$43,000 compared to the prior year.
- Net position increased by approximately \$533,000.

Financial Statements

The Library's annual financial report consists of – the management's discussion and analysis and the basic financial statements. The Library's basic financial statements include the statement of net position, the statement of activities, the general fund statements and notes to the basic financial statements.

The statement of net position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. The statement of activities reports revenues and expenditures by function or program.

These financial statements utilize the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period they are earned and expenses in the period when they are incurred.

The general fund statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Expenditures are recognized when incurred with the exception of long term liabilities such as compensated absences and pensions.

**PIONEERLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024**

Net Position

Table I reflects the Library's condensed summary of the statement of net position as of December 31, 2024, with comparative amounts for 2023.

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

<u>Description</u>	<u>2024</u>	<u>2023</u>	<u>Change</u>
Current and other assets	\$ 7,145,421	\$ 6,920,209	\$ 225,212
Capital assets and right of use assets, net	<u>495,802</u>	<u>424,563</u>	<u>71,239</u>
Total assets	<u>7,641,223</u>	<u>7,344,772</u>	<u>296,451</u>
Deferred outflows related to pension	<u>186,641</u>	<u>413,386</u>	<u>(226,745)</u>
Total deferred outflows of resources	<u>186,641</u>	<u>413,386</u>	<u>(226,745)</u>
Current liabilities	710,927	768,500	(57,573)
Long-term liabilities	<u>1,249,681</u>	<u>1,765,486</u>	<u>(515,805)</u>
Total liabilities	<u>1,960,608</u>	<u>2,533,986</u>	<u>(573,378)</u>
Deferred inflows related to pension	<u>785,667</u>	<u>658,724</u>	<u>126,943</u>
Total deferred inflows of resources	<u>785,667</u>	<u>658,724</u>	<u>126,943</u>
Net position			
Net investment in capital assets	308,855	316,606	(7,751)
Restricted net position	558,899	557,596	1,303
Unrestricted net position	<u>4,213,835</u>	<u>3,691,246</u>	<u>522,589</u>
Total net position	<u>\$ 5,081,589</u>	<u>\$ 4,565,448</u>	<u>\$ 516,141</u>

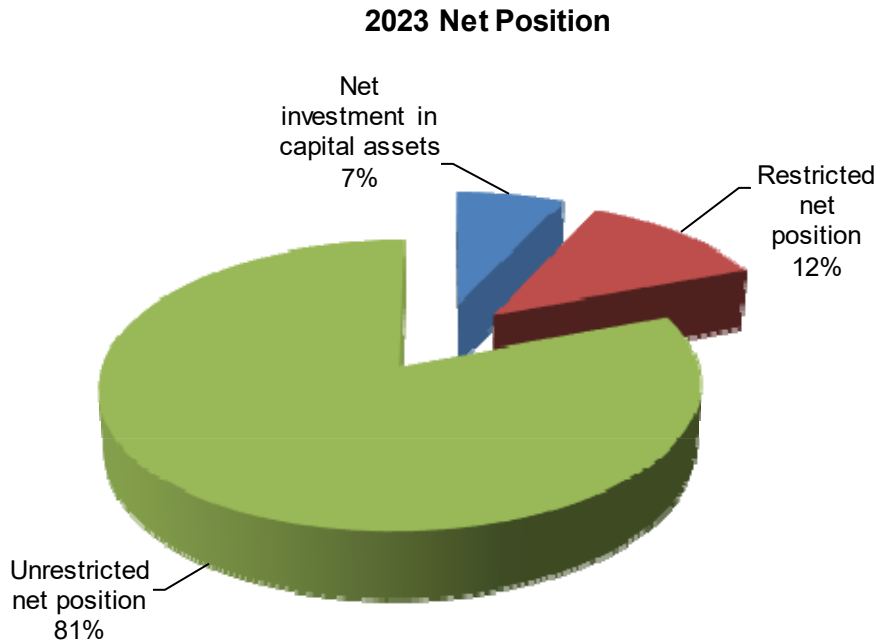
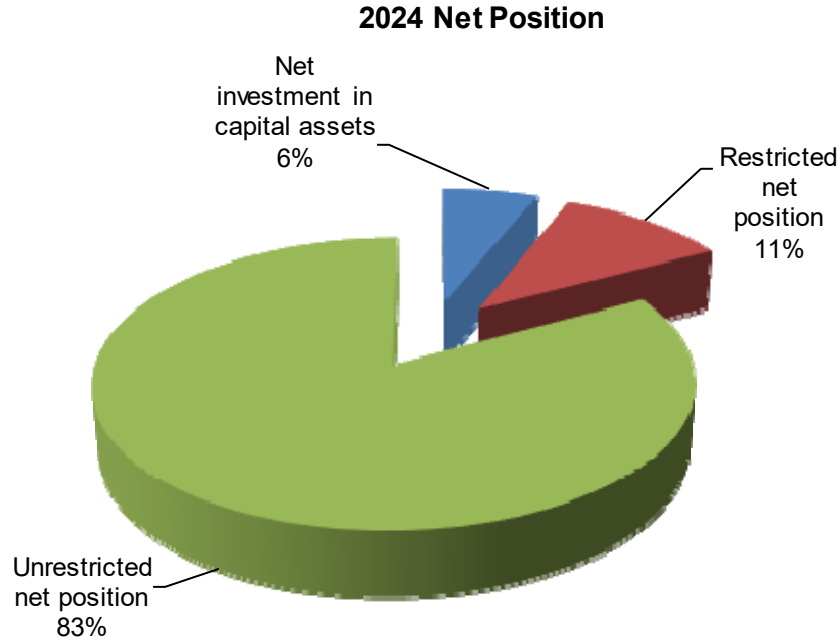
Total assets increased approximately \$296,000 primarily due to an increase in cash and investments.

Total liabilities decreased approximately \$573,000 primarily due to the decrease in net pension liability.

**PIONEERLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024**

Net Position (continued)

The following graph illustrates the relative percentage of the Library's net position classifications as of December 31, 2024 and 2023:



**PIONEERLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024**

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**

	2024	2023	Change
Revenues:			
Program revenues			
Charges for services	\$ 43,023	\$ 39,173	\$ 3,850
Operating grants and contributions	4,272,411	4,083,843	188,568
General revenues			
Unrestricted aid	785,249	621,051	164,198
Investment income	112,323	139,976	(27,653)
Miscellaneous	47,264	69,997	(22,733)
Total revenues	<u>5,260,270</u>	<u>4,954,040</u>	<u>306,230</u>
Expenses:			
Program expenses			
Administration and Support	542,315	597,516	(55,201)
Automation and IT	330,419	312,504	17,915
Library Branches	3,715,445	3,748,197	(32,752)
Legacy Programs	138,696	111,965	26,731
Total expenses	<u>4,726,875</u>	<u>4,770,182</u>	<u>(43,307)</u>
Increase in net position	533,395	183,858	349,537
Net position January 1	4,565,448	4,381,590	183,858
Prior period adjustment	<u>(17,254)</u>	<u>-</u>	<u>(17,254)</u>
Net position January 1, as restated	<u>4,548,194</u>	<u>4,381,590</u>	<u>166,604</u>
Net position December 31	<u><u>\$ 5,081,589</u></u>	<u><u>\$ 4,565,448</u></u>	<u><u>\$ 516,141</u></u>

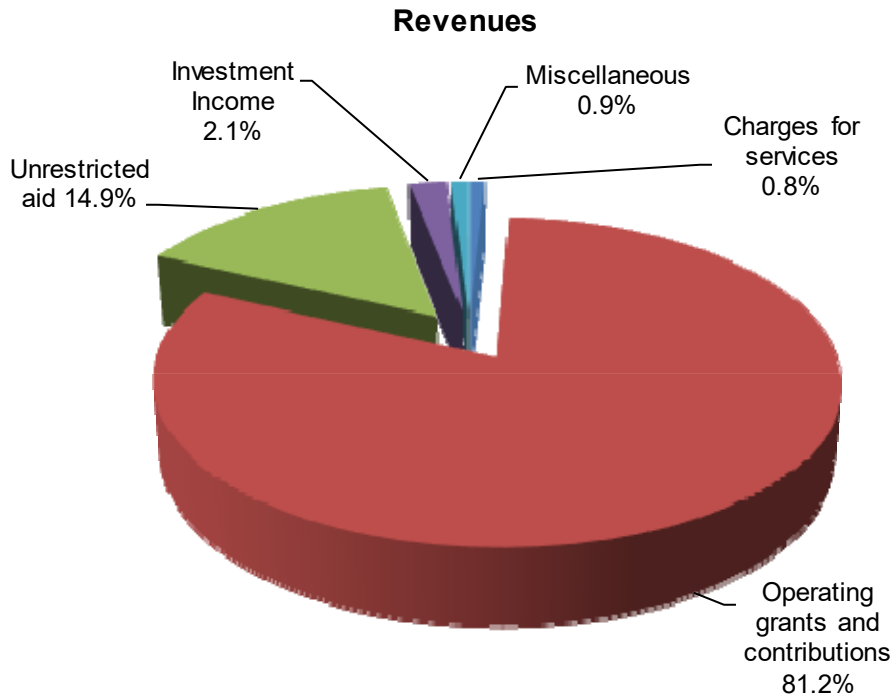
Total revenues increased primarily due to more revenue from state, county and city funding sources.

Total expenses decreased primarily due to a decrease in pension expenses.

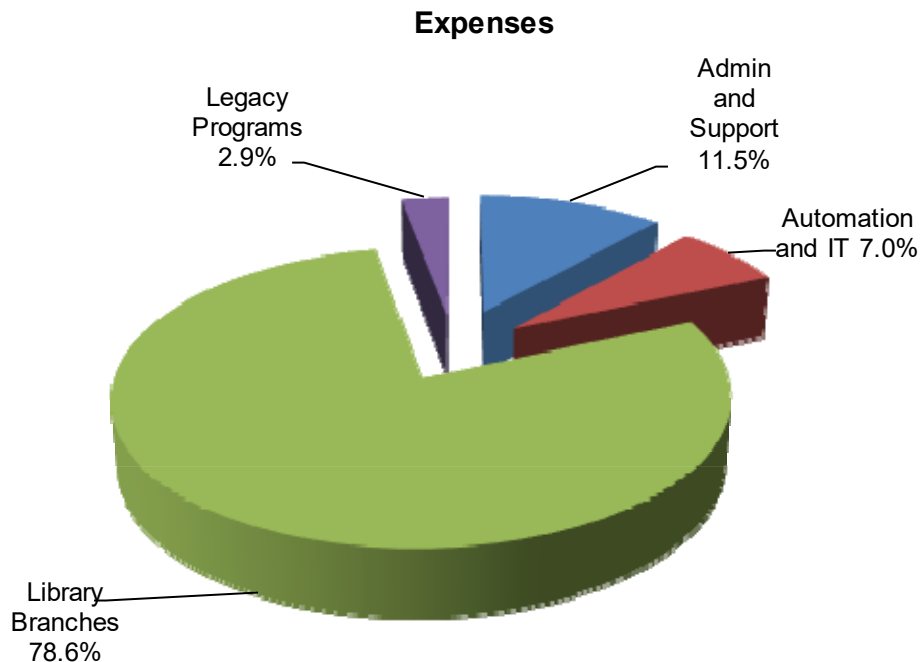
**PIONEERLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024**

Statement of Activities (continued)

The Library's revenue is received primarily from city, county, state and federal grants. The following graph illustrates the major sources of revenue and related percentages:



The following graph illustrates the Library's expenses by program and related percentages:



**PIONEERLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024**

General Fund Highlights

Revenues increased over \$259,000, and expenditures decreased over \$42,000 compared to the prior year. As a result, the fund balance for the general fund increased approximately \$353,000 for 2024.

Revenues exceeded budgeted revenues by over \$340,000 while expenditures exceeded budgeted expenditures by over \$15,000.

Capital Assets and Right of Use Assets

Table III presents the Library's capital assets and right of use assets activity for the year ended December 31, 2024.

**Table III
Changes in Capital Assets and Right of Use Assets
December 31, 2024**

Description	Beginning Balance	Net Additions/ (Deletions)	Ending Balance
Capital assets			
Vehicles	\$ 20,488	\$ -	\$ 20,488
Furniture and Equipment	2,538,098	(2,080,373)	457,725
Books	4,174,958	(4,174,958)	-
Automation System	114,040	(114,040)	-
Total capital assets	6,847,584	(6,369,371)	478,213
Less accumulated depreciation	6,529,854	(6,372,903)	156,951
Net capital assets	<u>\$ 317,730</u>	<u>\$ 3,532</u>	<u>\$ 321,262</u>
Right of use assets			
Equipment	\$ 30,064	\$ -	\$ 30,064
Building	175,840	-	175,840
Subscription Arrangements	-	355,628	355,628
Total right of use assets	205,904	355,628	561,532
Less accumulated amortization	99,071	287,921	386,992
Net right of use assets	<u>\$ 106,833</u>	<u>\$ 67,707</u>	<u>\$ 174,540</u>

Long-Term Liabilities

The Library's most significant long-term liability is the net pension liability. The liability was \$1,035,967 at December 31, 2024 compared to \$1,565,729 the previous year. See Note 4 of the notes to the financial statements for a schedule showing the Library's long-term liabilities activity.

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 Library System 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, 2024

ASSETS

Cash and cash equivalents	\$ 4,370,961
Investments	2,657,251
Receivables	24,562
Prepaid expenses	92,647
Capital assets, net of accumulated depreciation	321,262
Right of use assets, net of accumulated amortization	174,540

TOTAL ASSETS

7,641,223

DEFERRED OUTFLOWS OF RESOURCES

Related to pensions	186,641
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TOTAL DEFERRED OUTFLOWS OF RESOURCES

186,641

LIABILITIES

Accounts payable	56,673
Accrued wages	156,423
Accrued payroll taxes	23,013
Accrued interest	5,762
Unearned revenue	354,434
Long-term liabilities	
Due within one year	114,622
Due in more than one year	213,714
Net pension liability	1,035,967

TOTAL LIABILITIES

1,960,608

DEFERRED INFLOWS OF RESOURCES

Related to pensions	785,667
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TOTAL DEFERRED INFLOWS OF RESOURCES

785,667

NET POSITION

Net investment in capital assets	308,855
Restricted net position	558,899
Unrestricted net position	4,213,835

TOTAL NET POSITION

\$ 5,081,589

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, 2024

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
Administration and Support	\$ 542,315	\$ -	\$ -	\$ -	\$ (542,315)
Automation and IT	330,419	-	371,425	-	41,006
Library Branches	3,715,445	43,023	3,762,290	-	89,868
Legacy Programs	<u>138,696</u>	<u>-</u>	<u>138,696</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,726,875</u>	<u>\$ 43,023</u>	<u>\$ 4,272,411</u>	<u>\$ -</u>	<u>(411,441)</u>
General revenues					
Intergovernmental revenue not restricted to specific programs					785,249
Miscellaneous					47,264
Investment income					<u>112,323</u>
Total general revenues					<u>944,836</u>
Change in net position					<u>533,395</u>
Net position, Beginning					4,565,448
Prior period adjustment					<u>(17,254)</u>
Net position, Beginning as restated					<u>4,548,194</u>
Net position, Ending					<u>\$ 5,081,589</u>

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

**PIONEERLAND LIBRARY SYSTEM
BALANCE SHEET
GENERAL FUND
December 31, 2024**

ASSETS

Cash and cash equivalents	\$ 4,370,961
Investments	2,657,251
Accounts receivable	24,562
Prepaid expenses	<u>92,647</u>

TOTAL ASSETS **\$ 7,145,421**

LIABILITIES AND FUND BALANCE

Liabilities

Accounts payable	\$ 56,673
Accrued salaries	156,423
Accrued payroll tax	23,013
Unearned revenue	<u>354,434</u>
Total Liabilities	<u>590,543</u>

Fund Balance

Nonspendable	92,647
Committed	558,899
Assigned	5,830,857
Unassigned	<u>72,475</u>
Total Fund Balance	<u>6,554,878</u>

TOTAL LIABILITIES AND FUND BALANCE **\$ 7,145,421**

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, 2024

Total fund balance - general fund	\$ 6,554,878
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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.

Capital assets and right of use assets	1,039,745
Less accumulated depreciation	(156,951)
Less accumulated amortization	(386,992)

Deferred outflows and inflows of resources related to pensions are applicable
to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions	186,641
Deferred inflows of resources related to pensions	(785,667)

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

Lease obligations	(186,947)
Accrued lease interest	(5,762)
Accrued compensated absences	(141,389)
Net pension liability	<u>(1,035,967)</u>

Total net position - government activities	<u>\$ 5,081,589</u>
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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, 2024

REVENUES

Intergovernmental	
Federal	\$ 208,560
State	1,039,657
Counties	1,625,169
Cities	2,019,028
Charges for services	
Charges and fines	9,379
Copier, fax, and equipment	30,924
Miscellaneous	
Interest income	85,802
Market gain on investments - net	26,521
Contributions	118,044
Book sales	2,769
Refunds and reimbursements	47,264

TOTAL REVENUES	5,213,117
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EXPENDITURES

Current	
Administration and Support	501,332
Automation and IT	294,227
Library Branches	3,407,220
Legacy Programs	138,696
Capital outlay	
Administration and Support	67,617
Automation and IT	37,838
Library Branches	412,651

TOTAL EXPENDITURES	4,859,581
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CHANGE IN FUND BALANCE	353,536
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FUND BALANCE, BEGINNING OF YEAR	6,201,342
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FUND BALANCE, END OF YEAR	\$ 6,554,878
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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, 2024

Change in fund balance - general fund	\$ 353,536
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay is 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 outlay	46,770
Depreciation expense	(43,238)
Amortization expense	(119,170)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Portion of state PERA contribution	47,153
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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.

Retirement on lease payable	49,589
Retirement on subscriptions payable	69,834
Pension expense	<u>128,921</u>

Change in net position - governmental activities	<u>\$ 533,395</u>
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The notes to the financial statements are an integral part of this statement.

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

Pioneerland Library System (the "Library") complies with Generally Accepted Accounting Principles (GAAP). The Library'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's primary government and component units over which the Library exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Library (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*.

Fund Financial Statements

The General Fund is the operating fund of the Library and is used to account for all the financial resources of the Library. It is also the Library's only fund.

Measurement Focus and Basis of Accounting

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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough 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, severance and pension 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, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The Library has defined cash and cash equivalents to include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are reported at their fair market value at December 31, 2024.

Accounts Receivable

Accounts receivable represent amounts due for goods or services furnished by the Library. No material losses are anticipated, therefore, no allowance for uncollectible accounts is deemed necessary.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepayments. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

Capital Assets and Right to Use Assets

Capital assets are recorded at cost or estimated historical cost. Right to use assets are capitalized at the present value of the minimum lease payments. The Library's capitalization threshold is \$1,500 for capital and right to use assets. 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. The Library does not possess any infrastructure.

Capital and right to use assets are recorded in the government-wide financial statements but are not reported in governmental fund financial statements. 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. The Library 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. The Library 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.

Long-Term Obligations

In the organization-wide financial statements long-term liabilities and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Lease and subscription liabilities are measured at the present value of payments expected to be made and amortized as a component of interest expense over the lease and subscription term.

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Obligations (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The present value of lease and subscription payments expected to be made at the inception of a lease and subscription agreement is reported as other financing sources. Subsequent lease and subscription payments are reported as capital outlay expenditures.

Accrued Compensated Absences

Vacation and sick pay are accrued when earned in the government-wide financial statements. Vacation can accumulate 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, 2024, are vacation of \$80,002 and sick leave of \$61,387. The Library has accrued a liability of \$141,389 for these amounts.

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.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and certain other payments received before eligibility requirements are met are also recorded as unearned revenue.

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the Library 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 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.

**PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance (continued)

The Library uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the Library 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.

Net Position

Net position presents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources 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.

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.

Budgets and Budgetary Accounting

The Library 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.

New Accounting Pronouncement

Effective January 1, 2024, the Library implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*.

NOTE 2 CASH AND INVESTMENTS

The Library's cash and investments as of December 31, 2024, are summarized as follows:

Cash on deposit	\$ 4,370,961
Investments	2,657,251
	<u>\$ 7,028,212</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.

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 2 CASH AND INVESTMENTS (continued)

Deposits (continued)

At December 31, 2024, the Library's deposits had a carrying amount of \$4,370,961 and a bank balance of \$3,941,648 along with a money market balance of \$77,355. 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 authorize 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.

As of December 31, 2024 the Library had the following investments:

	Fair Value	Investments Maturities in Years		
		Less than 1	1-5 Years	6+ Years
State and Local Government Bonds	\$ 769,446	\$ 124,262	\$ 338,278	\$ 306,906
Federal National Mortgage Assn	100,015	-	100,015	-
Federal Home Loan Bank	887,359	89,710	363,975	433,674
Federal Home Loan Mortgage Corp	429,930	-	429,930	-
Government National Mortgage Assn	4,419	-	-	4,419
Fannie Mae	818	-	-	818
Federal Farm Credit Bank	455,222	-	416,501	38,721
Morgan Stanley Bank	10,042	10,042	-	-
	<u>\$ 2,657,251</u>	<u>\$ 224,014</u>	<u>\$ 1,648,699</u>	<u>\$ 784,538</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 statutes. The Library's investments are rated between an 'A' up to 'AAA', all of which qualify under MN Statute 118.A.

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 2 CASH AND INVESTMENTS (continued)

Investments (continued)

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	\$ 769,446	29%
Federal Home Loan Bank	\$ 887,359	33%
Federal Home Loan Mortgage Corp	\$ 429,930	16%
Federal Farm Credit Bank	\$ 455,222	17%

NOTE 3 CAPITAL ASSETS

Capital assets and right of use assets activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets				
Vehicles	\$ 20,488	\$ -	\$ -	\$ 20,488
Furniture and Equipment	2,538,098	46,770	(2,127,143)	457,725
Books	4,174,958	-	(4,174,958)	-
Automation System	114,040	-	(114,040)	-
Total capital assets	6,847,584	46,770	(6,416,141)	478,213
Less accumulated depreciation	6,529,854	43,238	(6,416,141)	156,951
Net capital assets	<u>\$ 317,730</u>	<u>\$ 3,532</u>	<u>\$ -</u>	<u>\$ 321,262</u>
Right of use assets				
Equipment	\$ 30,064	\$ -	\$ -	\$ 30,064
Building	175,840	-	-	175,840
Subscription Arrangements	-	355,628	-	355,628
Total right of use assets	205,904	355,628	-	561,532
Less accumulated amortization	99,071	287,921	-	386,992
Net right of use assets	<u>\$ 106,833</u>	<u>\$ 67,707</u>	<u>\$ -</u>	<u>\$ 174,540</u>

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 4 LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2024 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 141,389	\$ -	\$ -	\$ 141,389	\$ -
Lease obligations	107,957	-	49,589	58,368	52,368
Subscription arrangements	-	186,987	58,408	128,579	62,254
Net pension liability	1,565,729	-	529,762	1,035,967	-
Total	<u>\$ 1,815,075</u>	<u>\$ 186,987</u>	<u>\$ 637,759</u>	<u>\$ 1,364,303</u>	<u>\$ 114,622</u>

NOTE 5 LEASES

Lease agreements are summarized as follows:

Description	Date	Payment Terms	Payment Amount	Interest Rate	Lease Liability	Additional Outflows	Balance Outstanding
Copiers	11/10/2021	60 months	\$ 557	4.25%	\$ 30,134	\$ 2,815	\$ 12,285
Building	1/1/2022	24 months	\$ 3,777	4.25%	\$ 89,651	-	46,083
Total Lease Agreements						<u>\$ 2,815</u>	<u>\$ 58,368</u>

The Library leases multiple copiers for their Willmar location. The leases commenced on November 10, 2021, and are to expire in 5 years on November 10, 2026. The monthly payment is \$557 and the interest rate on the leases are the prime rate plus an additional 1 percent as of GASB Statement No. 87 adoption date, January 1, 2022. The monthly lease payment includes the use of the copiers as well as an allotted number of copies to be made per month. If the Library exceeds the allotted amount, they are charged an overage fee. The amount included in the current year's additional outflows of \$2,815 is the overage charges they were assessed as a result of the excess copies made.

The Library leases a portion of the Willmar Public Library building from Kandiyohi County to conduct their operations and better serve the other libraries included within the Pioneerland Library System. The lease commenced on January 1, 2022, and is to expire in 2 years on December 31, 2024. The monthly payment is \$3,702 and the interest rate on the lease is the prime rate plus an additional 1 percent as of GASB Statement No. 87 adoption date, January 1, 2022.

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

Year Ending December 31:	Principal	Interest
2025	\$ 52,368	\$ 1,468
2026	6,000	128
Total lease payments	<u>\$ 58,368</u>	<u>\$ 1,596</u>

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 6 LONG-TERM SUBSCRIPTIONS

At January 1, 2024, the Library adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. The Implementation allows the Library to report its right to use subscription assets and related long-term subscription arrangements.

Subscription arrangements are summarized as follows:

Description	Date	Terms	Amount	Rate
Innovative Interfaces Inc.	1/1/2021	6 years	\$ 62,676 *	4.25%
		Original Lease Liability	Current Year Additional Outflows	Balance Outstanding
Innovative Interfaces Inc.	Impairments			
	\$ -	\$ 355,628	\$ -	\$ 128,579

* Increasing 2% per year

In December 2020, the Library agreed to terms with Innovate Interfaces Incorporated for use of their Software as a Service (SaaS) program and yearly maintenance. The term is 6 years at a discount rate of 4.25%. The subscription ends on December 31, 2026.

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

Year Ending December 31:	Principal	Interest
2025	\$ 62,254	\$ 5,588
2026	66,325	2,874
Total subscription payments	\$ 128,579	\$ 8,462

NOTE 7 FUND BALANCE CLASSIFICATION

At December 31, 2024, 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	190,992	-	-	-	190,992
Computer & Equipment	60,325	-	-	-	60,325
ILS & Hard/Software	284,279	1,303	-	-	285,582
Total Committed	\$ 557,596				\$ 558,899

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 7 FUND BALANCE CLASSIFICATION (continued)

	Beginning Balance	Revenues	Expenditures	Adjustments	Ending Balance
Assigned					
Yellow Medicine Co. Ext	\$ 68,796	\$ 6,443	\$ 2,726	\$ -	\$ 72,513
Telecom Grant	1,412,492	383,563	420,386	-	1,375,669
PLS	1,264,020	1,020,404	823,204	-	1,461,220
Automation	112,896	281,090	192,704	-	201,282
Spicer Endowment	27,060	6,110	8,317	-	24,853
New London Endowment	683	-	683	-	-
Willmar Endowment	43,061	190	1,509	-	41,742
Clara City	22,942	79,913	82,573	-	20,282
Maynard	21,675	39,658	45,447	-	15,886
Montevideo	68,158	197,804	216,159	-	49,803
Milan	33,923	35,777	41,761	-	27,939
Appleton	75,851	145,196	147,637	-	73,410
Dawson	63,094	107,894	99,708	-	71,280
Graceville	29,442	74,024	52,395	-	51,071
Ortonville	46,818	135,669	136,066	-	46,421
Madison	34,667	130,547	131,618	-	33,596
Canby	63,533	127,563	115,212	-	75,884
Kerkhoven	73,714	53,621	44,758	-	82,577
Benson	106,855	180,216	164,258	-	122,813
Atwater	32,877	52,792	64,253	-	21,416
Bird Island	51,843	53,440	48,130	-	57,153
Brownton	52,067	29,547	47,243	-	34,371
Cosmos	145,230	35,233	43,153	-	137,310
Dassel	59,767	68,751	57,769	-	70,749
Glencoe	20,792	161,282	147,720	-	34,354
Grove City	82,875	37,549	39,872	-	80,552
Hutchinson	117,961	299,986	312,681	-	105,266
Lake Lillian/Raymond	52,284	90,629	93,852	-	49,061
Litchfield	226,967	300,799	280,558	-	247,208
Renville	44,893	50,336	50,082	-	45,147
Spicer/New London	63,158	113,654	121,900	-	54,912
Willmar	603,067	684,253	685,314	-	602,006
Winsted	8,584	38,449	39,359	-	7,674
Hector	55,025	60,528	55,151	-	60,402
Granite Falls	203,166	138,854	147,689	-	194,331
Olivia	109,059	152,668	138,679	-	123,048
Fairfax	54,393	62,282	59,019	-	57,656
Total Assigned	<u>\$ 5,553,688</u>				<u>\$ 5,830,857</u>

**PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

NOTE 8 DEFINED BENEFIT PENSION PLAN

A. Plan Description

Pioneerland Library System participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered in accordance with *Minnesota Statutes*, Chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employees meets exclusion criteria.

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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan requires three years of service to vest. 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 General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by 0.25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of 0.25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of 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 June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

Pioneerland Library System's contributions were equal to the required contributions as set by state statute.

**PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

NOTE 8 DEFINED BENEFIT PENSION PLAN (continued)

1. General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and Pioneerland Library System was required to contribute 7.50% for General Plan members. Pioneerland Library System's contributions to the General Employees Fund for the year ended December 31, 2024 were \$179,562.

D. Pension Costs

1. General Employees Fund Pension Cost

At December 31, 2024, Pioneerland Library System reported a liability of \$1,035,967 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 \$26,788.

The Library's proportionate share of the net pension liability	\$ 1,035,967
State of Minnesota's proportionate share of the net pension liability associated with the Library	<u>26,788</u>
Total	<u>\$ 1,062,755</u>

The net pension liability was measured as of June 30, 2024, 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, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. Pioneerland Library System's proportionate share was 0.0280% at the end of the measurement period and 0.0280% for the beginning of the period.

For the year ended December 31, 2024, Pioneerland Library System recognized pension expense of \$52,964 for its proportionate share of the General Employees Plan's pension expense. In addition, Pioneerland Library System recognized an additional \$(513) 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.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. Pioneerland Library System recognized \$47,666 for the year ended December 31, 2024 as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 8 DEFINED BENEFIT PENSION PLAN (continued)

D. Pension Costs (continued)

2. General Employees Fund Pension Cost (continued)

At December 31, 2024, Pioneerland Library System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 97,846	\$ -
Changes in actuarial assumptions	5,433	391,868
Net collective difference between projected and actual investment earnings	-	301,029
Changes in proportion	938	92,770
Contributions paid to PERA subsequent to the measurement date	82,424	-
Total	<u>\$ 186,641</u>	<u>\$ 785,667</u>

The \$82,424 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, 2025. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2025	\$ (392,854)
2026	(82,606)
2027	(126,589)
2028	(79,401)

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%
	<u>100.0%</u>	

**PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2024**

NOTE 8 DEFINED BENEFIT PENSION PLAN (continued)

F. Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumption from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

- 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% after 27 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.00%. 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 Plan 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.

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 8 DEFINED BENEFIT PENSION PLAN (continued)

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>			
1% Lower	6.00%	\$	2,262,718
Current Discount Rate	7.00%	\$	1,035,967
1% Higher	8.00%	\$	26,852

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 9 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 expects such amounts, if any, to be immaterial.

NOTE 10 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 was \$36,762. The Library signed a new long-term contract with the same broadband provider effective July 1, 2022. This contract is to expire on June 30, 2025. The monthly recurring charge of such service is \$21,725. These fees are expected to be supplemented by grant dollars to limit the costs to the Library.

The future contract payments are as follows:

Year	Future Contract Payment
2025	\$ 130,350

NOTE 11 PRIOR PERIOD ADJUSTMENT

The Library adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The Library software was initially leased in fiscal year 2021 and the implementation of GASB No. 96 requires retroactive application. As a result of adopting the new standards effective January 1, 2024, the Library recorded right of use asset of \$355,628, a lease liability of \$186,987, and accrued lease interest of \$8,081 at January 1, 2024. The difference between the right of use asset and lease liabilities was recorded as a deduction to beginning net position of \$17,254.

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE 11 PRIOR PERIOD ADJUSTMENT (continued)

The following details the change in beginning net position as of January 1, 2024:

	<u>Net Position</u>
Net Position - beginning of year as previously reported	\$ 4,565,448
Prior period adjustment	<u>(17,254)</u>
Net Position - beginning of year, as restated	<u>\$ 4,548,194</u>

NOTE 12 OTHER INFORMATION

Risk Management

The Library 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 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.

NOTE 13 SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 17, 2025, which is the date the financial statements were available to be issued.

PIONEERLAND LIBRARY SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION

PIONEERLAND LIBRARY SYSTEM
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2024
With Partial Comparative as of December 31, 2023

REVENUES	2024			Over (Under) Final Budget	2023
	Budget Amounts		Actual		
	Original	Final			
Intergovernmental					
Federal Grants and Aids					
E-Rate funds	\$ 208,560	\$ 208,560	\$ 208,560	-	\$ 211,060
Total Federal Grants and Aids	208,560	208,560	208,560	-	211,060
State Grants and Aids					
Basic support	722,000	722,000	738,096	16,096	620,857
Legacy grants	87,615	87,615	138,696	51,081	111,965
RLTA	52,140	52,140	162,865	110,725	149,348
Total State Grants and Aids	861,755	861,755	1,039,657	177,902	882,170
Local Grants and Aids					
County support	1,653,759	1,653,759	1,625,169	(28,590)	1,601,255
City support	2,014,710	2,014,710	2,019,028	4,318	1,951,717
Total Local Grants and Aids	3,668,469	3,668,469	3,644,197	(24,272)	3,552,972
Charges for Services					
Charges and fines	17,795	17,795	9,379	(8,416)	10,220
Copier, fax, and equipment	18,720	18,720	30,924	12,204	27,140
Total Charges for Services	36,515	36,515	40,303	3,788	37,360
Miscellaneous					
Interest income	15,100	15,100	85,802	70,702	73,116
Market gain on investments - net	-	-	26,521	26,521	66,860
Contributions	21,175	21,175	118,044	96,869	58,468
Book sales	1,995	1,995	2,769	774	1,843
Refunds and reimbursements	59,310	59,310	47,264	(12,046)	69,997
Total Miscellaneous	97,580	97,580	280,400	182,820	270,284
TOTAL REVENUES	4,872,879	4,872,879	5,213,117	340,238	4,953,846

See notes to required supplementary information

PIONEERLAND LIBRARY SYSTEM
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2024
With Partial Comparative as of December 31, 2023

	2024				
	Budget Amounts			Over (Under)	
	Original	Final	Actual	Final Budget	2023
EXPENDITURES					
Administration and Support					
Current					
Salaries and wages	470,393	470,393	378,968	(91,425)	399,184
Payroll taxes and benefits	151,000	151,000	140,704	(10,296)	137,823
Continuing education	2,000	2,000	1,760	(240)	1,399
Contract services	34,458	34,458	25,844	(8,614)	29,782
Supplies	20,000	20,000	18,462	(1,538)	16,205
Promotion and programming	-	-	124	124	-
Rent	46,225	46,225	46,225	-	45,319
Insurance	9,128	9,128	8,676	(452)	8,718
Telecommunications	3,500	3,500	3,277	(223)	3,082
Transportation	90,000	90,000	81,714	(8,286)	84,273
Professional fees	12,100	12,100	10,250	(1,850)	1,600
Other	12,500	12,500	21,339	8,839	21,311
Allocated expenditures	(236,011)	(236,011)	(236,011)	-	(246,638)
Capital outlay					
Books	60,000	60,000	66,317	6,317	50,126
Equipment	1,000	1,000	1,300	300	565
Total Administration and Support	676,293	676,293	568,949	(107,344)	552,749
Automation and IT					
Current					
Salaries and wages	98,894	98,894	81,646	(17,248)	98,394
Payroll taxes and benefits	38,800	38,800	31,696	(7,104)	36,567
Continuing education	500	500	-	(500)	-
Contract services	50,000	50,000	37,226	(12,774)	32,636
Supplies	2,000	2,000	1,043	(957)	165
Telecommunications	261,900	261,900	261,786	(114)	262,246
Transportation	3,000	3,000	355	(2,645)	1,834
Software license and subscriptions	115,524	115,524	161,407	45,883	134,326
Other	500	500	90	(410)	-
Allocated expenditures	(281,023)	(281,023)	(281,022)	1	(281,022)
Capital outlay					
Books	-	-	-	-	23,136
Equipment	10,000	10,000	37,838	27,838	4,222
Total Automation and IT	300,095	300,095	332,065	31,970	312,504
Library Branches					
Current					
Salaries and wages	2,166,642	2,166,642	2,134,755	(31,887)	2,051,642
Payroll taxes and benefits	493,421	493,421	508,290	14,869	462,747
Continuing education	31,566	31,566	15,136	(16,430)	22,867
Contract services	29,630	29,630	29,796	166	25,215
Supplies	47,648	47,648	45,932	(1,716)	41,259
Periodicals	44,660	44,660	40,111	(4,549)	41,588
Promotion and programming	72,860	72,860	96,396	23,536	78,551
Insurance	13,304	13,304	13,755	451	13,620
Telecommunications	3,815	3,815	3,570	(245)	3,573
Professional fees	20	20	75	55	10,240
Other	1,547	1,547	2,371	824	2,091
Allocated expenditures	517,034	517,034	517,033	(1)	527,660
Capital outlay					
Books	367,920	367,920	380,559	12,639	381,169
Equipment	51,100	51,100	32,092	(19,008)	262,395
Total Library Branches	3,841,167	3,841,167	3,819,871	(21,296)	3,924,617
Legacy Programs					
Current					
Salaries and wages	26,590	26,590	26,590	-	-
Contract services	-	-	106,936	106,936	110,148
Supplies	-	-	2,324	2,324	1,318
Promotion and programming	-	-	2,846	2,846	499
Total Legacy Programs	26,590	26,590	138,696	112,106	111,965
TOTAL EXPENDITURES	4,844,145	4,844,145	4,859,581	15,436	4,901,835
CHANGE IN FUND BALANCE	\$ 28,734	\$ 28,734	353,536	\$ 324,802	52,011
FUND BALANCE BEGINNING OF YEAR			6,201,342		6,149,331
FUND BALANCE END OF YEAR			\$ 6,554,878		\$ 6,201,342

See notes to required supplementary information

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

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the Library	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated With the Library	Employer's Covered- Employee Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2024	0.0280%	\$ 1,035,967	\$ 26,788	\$ 1,062,755	\$ 2,371,680	43.7%	89.1%
June 30, 2023	0.0280%	\$ 1,565,729	\$ 43,204	\$ 1,608,933	\$ 2,230,027	70.2%	83.1%
June 30, 2022	0.0301%	\$ 2,383,930	\$ 69,929	\$ 2,453,859	\$ 2,256,587	105.6%	76.7%
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%

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, 2024	\$ 179,562	\$ 179,562	\$ -	\$ 2,394,160	7.50%
December 31, 2023	\$ 172,137	\$ 172,137	\$ -	\$ 2,295,160	7.50%
December 31, 2022	\$ 167,176	\$ 167,176	\$ -	\$ 2,229,013	7.50%
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%

See notes to required supplementary information.

PIONEERLAND LIBRARY SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2024

NOTE 1 BUDGETARY INFORMATION

Budgets and Budgetary Accounting

The Library 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 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2024, expenditures exceeded appropriations in the following fund.

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General	\$ 4,844,145	\$ 4,859,581	\$ 15,436

NOTE 3 CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS

General Employees Fund

2024 Changes

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 Changes

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period for those hired after June 30, 2010 was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024 was eliminated.
- A one-time, non-compounding benefit increase of 2.50% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

PIONEERLAND LIBRARY SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2024

NOTE 3 CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS (continued)

General Employees Fund (continued)

2022 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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, 2024

NOTE 3 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, 2024

NOTE 3 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.

COMPLIANCE AND FINDINGS

**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, 2024, 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 17, 2025.

Report on 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 Library'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. However, as described in the accompanying schedule of findings and recommendations as items 2024-001, 2024-002, and 2024-003, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Government Auditing Standards require the auditor to perform limited procedures on Pioneerland Library System's responses to the findings identified in our audit and described in the accompanying schedule of findings and recommendations. The Pioneerland Library System's responses were not subjected 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 results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Westberg Eischens, PLLP

Westberg Eischens, PLLP
Willmar, Minnesota

April 17, 2025

**PIONEERLAND LIBRARY SYSTEM
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended December 31, 2024**

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

Finding 2024-001

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 2023-001.

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 2024-001

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, 2024**

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

Finding 2024-002

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 2023-002.

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 2024-002

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, 2024**

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

Finding 2024-003

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 Organization'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 2023-003.

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 2024-003

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The Organization 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:

Executive 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, 2024**

II. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2023-001

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 2023-002

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 2023-003

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.