

**PIONEERLAND LIBRARY SYSTEM
WILLMAR, MINNESOTA**

**FINANCIAL STATEMENTS
December 31, 2025**

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Certified Public Accountants
Willmar, Minnesota 56201

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pioneerland Library System
Willmar, Minnesota

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, 2025, 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, 2025, 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 14, 2026, 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 14, 2026

**PIONEERLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2025**

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, 2025, 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 \$316,000 compared to the prior year.
- Total expenses decreased by approximately \$3,000 compared to the prior year.
- Net position increased by approximately \$853,000.

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, 2025**

Net Position

Table I reflects the Library's condensed summary of the statement of net position as of December 31, 2025, with comparative amounts for December 31, 2024.

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

| <u>Description</u> | <u>2025</u> | <u>2024</u> | <u>Change</u> |
|---|---------------------|---------------------|-------------------|
| Current and other assets | \$ 7,766,244 | \$ 7,145,421 | \$ 620,823 |
| Capital assets and right of use assets, net | 437,428 | 495,802 | (58,374) |
| Total assets | <u>8,203,672</u> | <u>7,641,223</u> | <u>562,449</u> |
| Deferred outflows related to pension | 193,290 | 186,641 | 6,649 |
| Total deferred outflows of resources | <u>193,290</u> | <u>186,641</u> | <u>6,649</u> |
| Current liabilities | 730,759 | 710,927 | 19,832 |
| Long-term liabilities | 1,199,064 | 1,249,681 | (50,617) |
| Total liabilities | <u>1,929,823</u> | <u>1,960,608</u> | <u>(30,785)</u> |
| Deferred inflows related to pension | 641,548 | 785,667 | (144,119) |
| Total deferred inflows of resources | <u>641,548</u> | <u>785,667</u> | <u>(144,119)</u> |
| Net position | | | |
| Net investment in capital assets | 274,536 | 308,855 | (34,319) |
| Restricted net position | 704,857 | 558,899 | 145,958 |
| Unrestricted net position | 4,846,198 | 4,213,835 | 632,363 |
| Total net position | <u>\$ 5,825,591</u> | <u>\$ 5,081,589</u> | <u>\$ 744,002</u> |

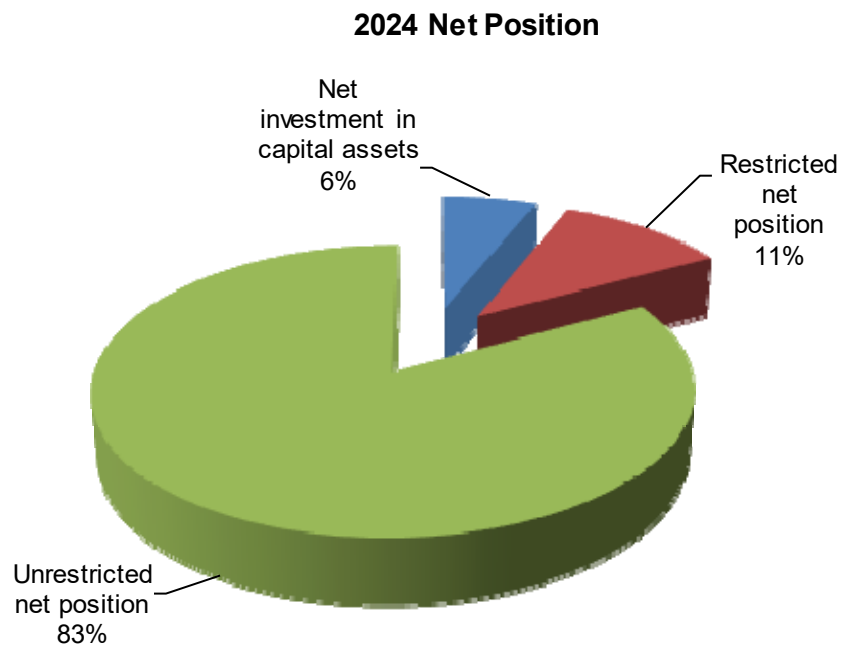
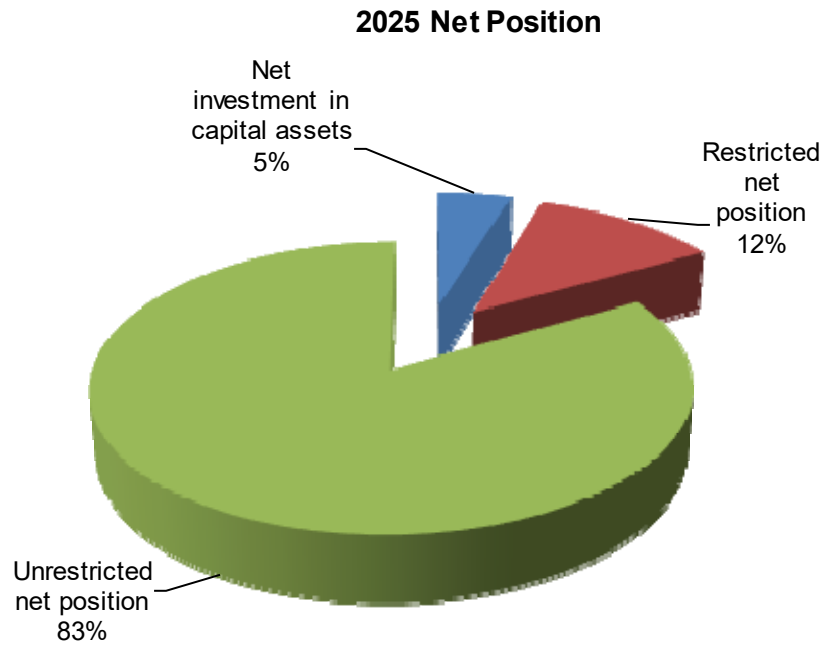
Total assets increased approximately \$562,000 primarily due to an increase in cash and investments.

Total liabilities decreased approximately \$31,000 primarily due to the decrease in net pension liability.

**PIONEERLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2025**

Net Position (continued)

The following graph illustrates the relative percentage of the Library's net position classifications as of December 31, 2025 and December 31, 2024:



**PIONEERLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2025**

Statement of Activities

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

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

| | <u>2025</u> | <u>2024</u> | <u>Change</u> |
|-------------------------------------|---------------------|---------------------|-------------------|
| Revenues: | | | |
| Program revenues | | | |
| Charges for services | \$ 47,199 | \$ 43,023 | \$ 4,176 |
| Operating grants and contributions | 4,591,145 | 4,272,411 | 318,734 |
| General revenues | | | |
| Unrestricted aid | 710,676 | 785,249 | (74,573) |
| Investment income | 179,690 | 112,323 | 67,367 |
| Miscellaneous | 47,378 | 47,264 | 114 |
| Total revenues | <u>5,576,088</u> | <u>5,260,270</u> | <u>315,818</u> |
| Expenses: | | | |
| Program expenses | | | |
| Administration and Support | 589,351 | 542,315 | 47,036 |
| Automation and IT | 268,040 | 330,419 | (62,379) |
| Library Branches | 3,696,740 | 3,715,445 | (18,705) |
| Legacy Programs | 169,345 | 138,696 | 30,649 |
| Total expenses | <u>4,723,476</u> | <u>4,726,875</u> | <u>(3,399)</u> |
| Increase in net position | 852,612 | 533,395 | 319,217 |
| Net position January 1 | 5,081,589 | 4,565,448 | 516,141 |
| Prior period adjustment | <u>(108,610)</u> | <u>(17,254)</u> | <u>(91,356)</u> |
| Net position January 1, as restated | <u>4,972,979</u> | <u>4,548,194</u> | <u>424,785</u> |
| Net position December 31 | <u>\$ 5,825,591</u> | <u>\$ 5,081,589</u> | <u>\$ 744,002</u> |

Operating grants and contributions increased primarily due to more revenue from county and city funding sources and an approximately \$108,000 estate contribution given to the Library in the current year.

Unrestricted aid decreased primarily due to less revenue from state funding sources.

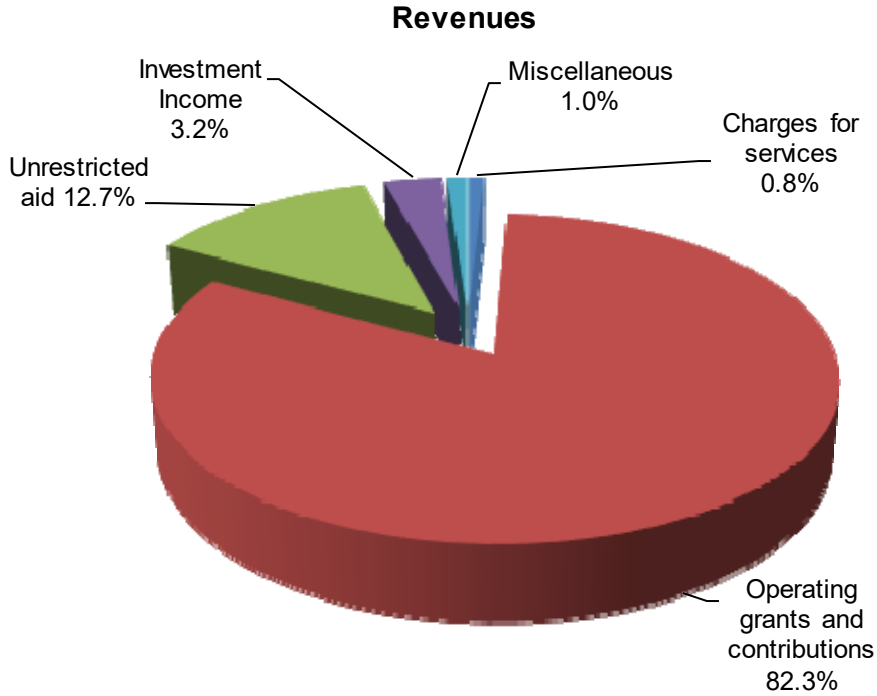
Investment income increased reasonably with the increase in both cash and investment balances.

In total, expenses are comparable to the prior year.

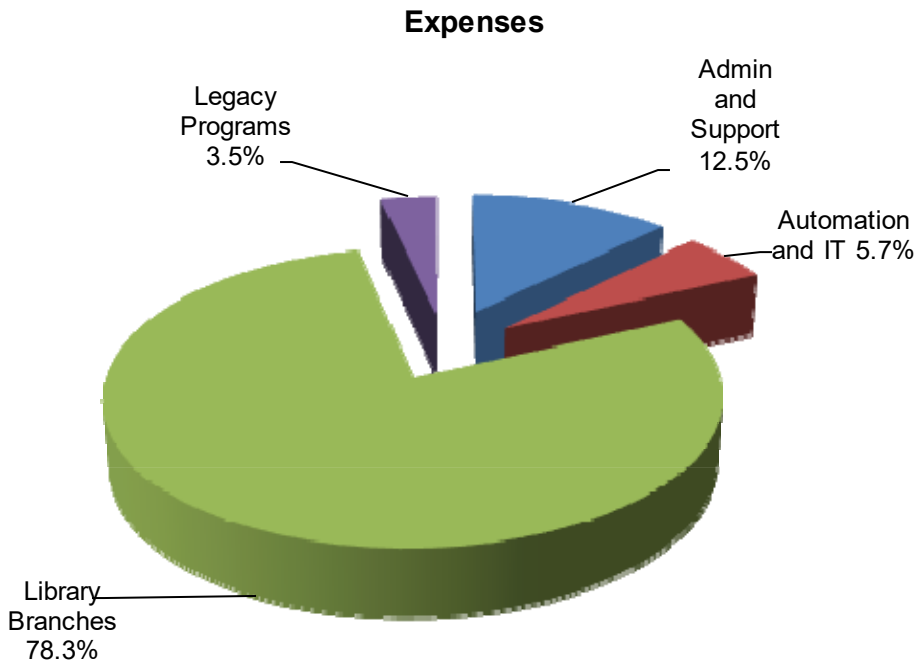
**PIONEERLAND LIBRARY SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2025**

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, 2025**

General Fund Highlights

Revenues increased over \$359,000, and expenditures increased over \$112,000 compared to the prior year. As a result, the fund balance for the general fund increased approximately \$247,000 compared to the prior year.

Revenues exceeded budgeted revenues by over \$588,000 while expenditures were less than budgeted expenditures by more than \$99,000.

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, 2025.

**Table III
Changes in Capital Assets and Right of Use Assets
December 31, 2025**

| | Beginning Balance | Net Additions/ (Deletions) | Ending Balance |
|-------------------------------|----------------------|-------------------------------|-------------------|
| Capital assets | | | |
| Vehicles | \$ 20,488 | \$ - | \$ 20,488 |
| Furniture and Equipment | 457,725 | 8,965 | 466,690 |
| Total capital assets | 478,213 | 8,965 | 487,178 |
| Less accumulated depreciation | 156,951 | 47,797 | 204,748 |
| Net capital assets | <u>\$ 321,262</u> | <u>\$ (38,832)</u> | <u>\$ 282,430</u> |
| Right of use assets | | | |
| Equipment | \$ 30,064 | \$ - | \$ 30,064 |
| Building | 175,840 | 90,567 | 266,407 |
| Subscription Arrangements | 355,628 | - | 355,628 |
| Total right of use assets | 561,532 | 90,567 | 652,099 |
| Less accumulated amortization | 386,992 | 110,109 | 497,101 |
| Net right of use assets | <u>\$ 174,540</u> | <u>\$ (19,542)</u> | <u>\$ 154,998</u> |

Long-Term Liabilities

The Library's most significant long-term liability is the net pension liability. The liability was \$890,838 at December 31, 2025 compared to \$1,035,967 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, 2025

ASSETS

| | |
|--|--------------|
| Cash and cash equivalents | \$ 4,752,194 |
| Investments | 2,892,239 |
| Receivables | 28,127 |
| Prepaid expenses | 93,684 |
| Capital assets, net of accumulated depreciation | 282,430 |
| Right of use assets, net of accumulated amortization | 154,998 |

TOTAL ASSETS

8,203,672

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---------------------|---------|
| Related to pensions | 193,290 |
|---------------------|---------|

TOTAL DEFERRED OUTFLOWS OF RESOURCES

193,290

LIABILITIES

| | |
|---------------------------|---------|
| Accounts payable | 98,464 |
| Accrued wages | 169,047 |
| Accrued payroll taxes | 21,539 |
| Accrued interest | 2,881 |
| Unearned revenue | 322,019 |
| Long-term liabilities | |
| Due within one year | 116,809 |
| Due in more than one year | 308,226 |
| Net pension liability | 890,838 |

TOTAL LIABILITIES

1,929,823

DEFERRED INFLOWS OF RESOURCES

| | |
|---------------------|---------|
| Related to pensions | 641,548 |
|---------------------|---------|

TOTAL DEFERRED INFLOWS OF RESOURCES

641,548

NET POSITION

| | |
|----------------------------------|-----------|
| Net investment in capital assets | 274,536 |
| Restricted net position | 704,857 |
| Unrestricted net position | 4,846,198 |

TOTAL NET POSITION

\$ 5,825,591

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, 2025

| | | Program Revenues | | | |
|--|---------------------|-------------------------|--|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position |
| GOVERNMENTAL ACTIVITIES | | | | | |
| Administration and Support | \$ 589,351 | \$ - | \$ - | \$ - | \$ (589,351) |
| Automation and IT | 268,040 | - | 388,996 | - | 120,956 |
| Library Branches | 3,696,740 | 47,199 | 4,032,804 | - | 383,263 |
| Legacy Programs | <u>169,345</u> | <u>-</u> | <u>169,345</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 4,723,476</u> | <u>\$ 47,199</u> | <u>\$ 4,591,145</u> | <u>\$ -</u> | <u>(85,132)</u> |
| | | | | | |
| General revenues | | | | | |
| Intergovernmental revenue not restricted to specific programs | | | | | 710,676 |
| Miscellaneous | | | | | 47,378 |
| Investment income | | | | | <u>179,690</u> |
| Total general revenues | | | | | <u>937,744</u> |
| | | | | | |
| Change in net position | | | | | <u>852,612</u> |
| | | | | | |
| Net position, Beginning | | | | | 5,081,589 |
| Prior period adjustment | | | | | <u>(108,610)</u> |
| Net position, Beginning as restated | | | | | <u>4,972,979</u> |
| | | | | | |
| Net position, Ending | | | | | <u>\$ 5,825,591</u> |

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

**PIONEERLAND LIBRARY SYSTEM
BALANCE SHEET
GENERAL FUND
December 31, 2025**

ASSETS

| | |
|---------------------------|---------------|
| Cash and cash equivalents | \$ 4,752,194 |
| Investments | 2,892,239 |
| Accounts receivable | 28,127 |
| Prepaid expenses | <u>93,684</u> |

TOTAL ASSETS **\$ 7,766,244**

LIABILITIES AND FUND BALANCE

Liabilities

| | |
|---------------------|----------------|
| Accounts payable | \$ 98,464 |
| Accrued salaries | 169,047 |
| Accrued payroll tax | 21,539 |
| Unearned revenue | <u>322,019</u> |
| Total Liabilities | <u>611,069</u> |

Fund Balance

| | |
|--------------------|------------------|
| Nonspendable | 93,684 |
| Committed | 704,857 |
| Assigned | 6,121,284 |
| Unassigned | <u>235,350</u> |
| Total Fund Balance | <u>7,155,175</u> |

TOTAL LIABILITIES AND FUND BALANCE **\$ 7,766,244**

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, 2025

| | |
|---|---------------------|
| Total fund balance - general fund | \$ 7,155,175 |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | |
| <p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.</p> | |
| Capital assets and right of use assets | 1,139,277 |
| Less accumulated depreciation | (204,748) |
| Less accumulated amortization | (497,101) |
| <p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p> | |
| Deferred outflows of resources related to pensions | 193,290 |
| Deferred inflows of resources related to pensions | (641,548) |
| <p>Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p> | |
| Lease obligations | (162,892) |
| Accrued lease interest | (2,881) |
| Accrued compensated absences | (262,143) |
| Net pension liability | <u>(890,838)</u> |
| Total net position - government activities | <u>\$ 5,825,591</u> |

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

PIONEERLAND LIBRARY SYSTEM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
For the Year Ended December 31, 2025

REVENUES

| | |
|----------------------------------|------------|
| Intergovernmental | |
| Federal | \$ 208,560 |
| State | 1,057,161 |
| Counties | 1,679,383 |
| Cities | 2,081,905 |
| Charges for services | |
| Charges and fines | 9,423 |
| Copier, fax, and equipment | 36,225 |
| Miscellaneous | |
| Interest income | 95,304 |
| Market gain on investments - net | 84,386 |
| Contributions | 271,464 |
| Book sales | 1,603 |
| Refunds and reimbursements | 47,378 |

TOTAL REVENUES 5,572,792

EXPENDITURES

| | |
|----------------------------|-----------|
| Current | |
| Administration and Support | 529,380 |
| Automation and IT | 231,015 |
| Library Branches | 3,575,335 |
| Legacy Programs | 169,345 |
| Capital outlay | |
| Administration and Support | 30,263 |
| Automation and IT | 42,712 |
| Library Branches | 394,445 |

TOTAL EXPENDITURES 4,972,495

CHANGE IN FUND BALANCE 600,297

FUND BALANCE, BEGINNING OF YEAR 6,554,878

FUND BALANCE, END OF YEAR \$ 7,155,175

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, 2025

Change in fund balance - general fund \$ 600,297

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 | 11,400 |
| Depreciation expense | (49,037) |
| Amortization expense | (114,283) |
| Loss on asset disposal | (1,195) |

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 | 3,296 |
|------------------------------------|-------|

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 | 67,842 |
| Retirement on subscriptions payable | 53,835 |
| Compensated absences | (12,144) |
| Pension expense | <u>292,601</u> |

Change in net position - governmental activities \$ 852,612

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

**PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2025**

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, 2025

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, 2025.

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 of Use Assets

Capital assets are recorded at cost or estimated historical cost. Right of use assets are capitalized at the present value of the minimum lease payments. The Library's capitalization threshold is \$5,000 for capital and right of 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 of 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 – 12 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 relating to pension activity 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 government-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 arrangement 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, 2025

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% for employees who have been employed for less than 20 years and sick pay is paid out at 50% for employees who have been employed for 20 years or more. Totals earned and unpaid at December 31, 2025 are vacation of \$82,785 and sick leave of \$179,358. The Library has accrued a liability of \$262,143 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.

Net Position/Fund Balances

The government-wide activities financial statements use a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets – This category includes all capital assets, net of accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets.

Restricted net position – This category presents external restrictions imposed by creditors, grants, contributors or laws, or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This category represents net position of the Library, not restricted for any project or other purpose.

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.

**PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2025**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position/Fund Balances (continued)

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.

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.

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, 2025, the Library adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 100, Accounting Changes and Error Corrections and Statement No. 101, Compensated Absences. GASB Statement No. 100 establishes accounting and financial reporting requirements for accounting changes and error corrections and supersedes the guidance previously included in GASB Statement No. 62. GASB Statement No. 101 updates the recognition and measurement guidance for compensated absences, requiring liabilities to be recognized for leave that is attributable to past services and that accumulates and is more likely than not to be paid or settled. These changes were incorporated in the Library’s December 31, 2025 financial statements. A prior period adjustment of \$108,610 was made to the Library’s beginning net position and long-term liabilities due in more than one year at the date of adoption.

NOTE 2 CASH AND INVESTMENTS

The Library’s cash and investments as of December 31, 2025, are summarized as follows:

| | |
|-----------------|---------------------|
| Cash on deposit | \$ 4,752,194 |
| Investments | 2,892,239 |
| | <u>\$ 7,644,433</u> |

**PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2025**

NOTE 2 CASH AND INVESTMENTS (continued)

Deposits

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

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

At December 31, 2025, the Library's deposits had a carrying amount of \$4,752,194 and a bank balance of \$4,720,884 along with a money market balance of \$2,546. 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.

As of December 31, 2025 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 | \$ 739,004 | \$ 117,723 | \$ 392,169 | \$ 229,112 |
| Federal National Mortgage Assn | 3,636 | - | - | 3,636 |
| Federal Home Loan Bank | 1,663,801 | 263,005 | 899,846 | 500,950 |
| Federal Farm Credit Bank | 439,174 | 127,661 | 186,296 | 125,217 |
| United States Treasury Notes/Bonds | 46,624 | 6,017 | 40,607 | - |
| | <u>\$ 2,892,239</u> | <u>\$ 514,406</u> | <u>\$ 1,518,918</u> | <u>\$ 858,915</u> |

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 2 CASH AND INVESTMENTS (continued)

Investments (continued)

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.

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.

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 | \$ 739,004 | 26% |
| Federal Home Loan Bank | \$ 1,663,801 | 58% |
| Federal Farm Credit Bank | \$ 439,174 | 15% |

NOTE 3 CAPITAL ASSETS

Capital assets and right of use assets activity for the year ended December 31, 2025 was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|-------------------------------|----------------------|-------------|------------|-------------------|
| Capital assets | | | | |
| Vehicles | \$ 20,488 | \$ - | \$ - | \$ 20,488 |
| Furniture and Equipment | 457,725 | 11,400 | (2,435) | 466,690 |
| Total capital assets | 478,213 | 11,400 | (2,435) | 487,178 |
| Less accumulated depreciation | 156,951 | 49,037 | (1,240) | 204,748 |
| Net capital assets | \$ 321,262 | \$ (37,637) | \$ (1,195) | \$ 282,430 |
| Right of use assets | | | | |
| Equipment | \$ 30,064 | \$ - | \$ - | \$ 30,064 |
| Building | 175,840 | 90,567 | - | 266,407 |
| Subscription Arrangements | 355,628 | - | - | 355,628 |
| Total right of use assets | 561,532 | 90,567 | - | 652,099 |
| Less accumulated amortization | 386,992 | 110,109 | - | 497,101 |
| Net right of use assets | \$ 174,540 | \$ (19,542) | \$ - | \$ 154,998 |

**PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2025**

NOTE 4 LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2025 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---------------------------|----------------------|-------------------|-------------------|---------------------|------------------------|
| Compensated absences | \$ 249,999 | \$ 12,144 * | \$ - | \$ 262,143 | \$ - |
| Lease obligations | 58,368 | 90,567 | 52,368 | 96,567 | 50,484 |
| Subscription arrangements | 128,579 | - | 62,254 | 66,325 | 66,325 |
| Net pension liability | 1,035,967 | - | 145,129 | 890,838 | - |
| Total | \$ 1,472,913 | \$ 102,711 | \$ 259,751 | \$ 1,315,873 | \$ 116,809 |

* The change in accrued compensated absences represents the net effect of additions and reductions during the period.

NOTE 5 LEASES

Lease agreements are summarized as follows:

| Description | Date | Payment Terms | Payment Amount | Interest Rate | Total Lease Liability | Current Year Additional Outflows | Balance Outstanding |
|-------------------------------|------------|------------------|-------------------|------------------|-----------------------------|--|------------------------|
| Copiers | 11/10/2021 | 60 months | \$ 557 | 4.25% | \$ 30,134 | \$ 2,546 | \$ 6,000 |
| Building | 1/1/2024 | 48 months | \$ 3,929 | 4.25% | \$ 180,218 | - | 90,567 |
| Total Lease Agreements | | | | | | \$ 2,546 | \$ 96,567 |

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 \$2,546 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, 2024, and is to expire in 2 years on December 31, 2025. The monthly payment is \$3,929 and the interest rate on the lease is the prime rate plus an additional 1 percent as of January 1, 2024. The lease was renewed at December 31, 2025 with the same terms and conditions.

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

| Year Ending December 31: | Principal | Interest |
|-----------------------------|------------------|-----------------|
| 2026 | \$ 50,484 | \$ 2,940 |
| 2027 | \$ 46,083 | \$ 906 |
| Total lease payments | \$ 96,567 | \$ 3,846 |

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 6 LONG-TERM SUBSCRIPTION ARRANGEMENTS

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.

Subscription arrangements are summarized as follows:

| Description | Origination Date | Payment Terms | Payment Amount | Interest Rate |
|----------------------------|------------------|--------------------------|----------------------------------|---------------------|
| Innovative Interfaces Inc. | 1/1/2021 | 6 years | \$ 62,676 * | 4.25% |
| Description | Impairments | Original Lease Liability | Current Year Additional Outflows | Balance Outstanding |
| Innovative Interfaces Inc. | \$ - | \$ 355,628 | \$ - | \$ 66,325 |

* Increasing 2% per year.

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

| Year Ending December 31: | Principal | Interest |
|-----------------------------|-----------|----------|
| 2026 | \$ 66,325 | \$ 2,874 |
| Total subscription payments | \$ 66,325 | \$ 2,874 |

NOTE 7 FUND BALANCE CLASSIFICATION

At December 31, 2025, the governmental fund balance classifications are as follows:

| | Beginning Balance | Revenues | Expenditures | Transfer | Ending Balance |
|----------------------|-------------------|----------|--------------|-----------|-------------------|
| Committed | | | | | |
| Vehicle purchase | \$ 22,000 | \$ - | \$ - | \$ 20,000 | \$ 42,000 |
| Vacation/sick pay | 190,992 | - | - | - | 190,992 |
| Computer & Equipment | 60,325 | - | - | 125,000 | 185,325 |
| ILS & Hard/Software | 285,582 | 958 | - | - | 286,540 |
| Total Committed | <u>\$ 558,899</u> | | | | <u>\$ 704,857</u> |

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 7 FUND BALANCE CLASSIFICATION (continued)

| | Beginning Balance | Revenues | Expenditures | Transfer | Ending Balance |
|-------------------------|----------------------|----------|--------------|----------|---------------------|
| Assigned | | | | | |
| Yellow Medicine Co. Ext | \$ 72,513 | \$ 6,671 | \$ 2,958 | \$ - | \$ 76,226 |
| Telecom Grant | 1,391,311 | 369,625 | 456,168 | - | 1,304,768 |
| PLS | 1,461,220 | 970,073 | 792,592 | (40,000) | 1,598,701 |
| Automation | 201,282 | 281,022 | 93,200 | (20,000) | 369,104 |
| Spicer Endowment | 24,853 | 6,079 | 7,280 | - | 23,652 |
| Willmar Endowment | 41,742 | 140 | - | - | 41,882 |
| Glencoe Endowment | - | 106,100 | 1,098 | - | 105,002 |
| Clara City | 20,282 | 81,567 | 79,876 | - | 21,973 |
| Maynard | 15,886 | 41,354 | 43,655 | - | 13,585 |
| Montevideo | 49,803 | 206,608 | 213,347 | - | 43,064 |
| Milan | 27,939 | 36,829 | 37,529 | - | 27,239 |
| Appleton | 73,410 | 150,774 | 153,392 | (10,000) | 60,792 |
| Dawson | 71,280 | 111,129 | 111,773 | - | 70,636 |
| Graceville | 51,071 | 70,095 | 54,244 | - | 66,922 |
| Ortonville | 46,421 | 148,848 | 149,025 | - | 46,244 |
| Madison | 33,596 | 138,140 | 127,822 | - | 43,914 |
| Canby | 75,884 | 131,245 | 108,176 | - | 98,953 |
| Kerkhoven | 82,577 | 55,912 | 45,170 | - | 93,319 |
| Benson | 122,813 | 192,620 | 170,643 | (10,000) | 134,790 |
| Atwater | 21,416 | 59,968 | 64,981 | - | 16,403 |
| Bird Island | 57,153 | 55,455 | 53,176 | - | 59,432 |
| Brownton | 34,371 | 30,237 | 43,383 | - | 21,225 |
| Cosmos | 137,310 | 29,716 | 45,785 | - | 121,241 |
| Dassel | 70,749 | 74,393 | 62,891 | - | 82,251 |
| Glencoe | 34,354 | 166,320 | 159,606 | - | 41,068 |
| Grove City | 80,552 | 34,404 | 44,948 | - | 70,008 |
| Hutchinson | 105,266 | 307,858 | 323,468 | - | 89,656 |
| Lake Lillian/Raymond | 49,061 | 101,058 | 94,327 | (2,000) | 53,792 |
| Litchfield | 247,208 | 316,835 | 308,860 | (5,000) | 250,183 |
| Renville | 45,147 | 50,969 | 49,458 | (5,000) | 41,658 |
| Spicer/New London | 54,912 | 125,721 | 123,277 | (5,000) | 52,356 |
| Willmar | 602,006 | 675,599 | 697,928 | (20,000) | 559,677 |
| Winsted | 7,674 | 38,074 | 39,896 | - | 5,852 |
| Hector | 60,402 | 60,039 | 52,051 | (5,000) | 63,390 |
| Granite Falls | 194,331 | 142,656 | 157,003 | (5,000) | 174,984 |
| Olivia | 123,048 | 163,385 | 153,188 | (8,000) | 125,245 |
| Fairfax | 57,656 | 64,727 | 60,286 | (10,000) | 52,097 |
| Total Assigned | <u>\$ 5,846,499</u> | | | | <u>\$ 6,121,284</u> |

**PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2025**

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 employee 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.

1. General Employees Plan Benefits

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 retirement 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 2025 annual increase was 1.25%. 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
NOTES TO FINANCIAL STATEMENTS
December 31, 2025**

NOTE 8 DEFINED BENEFIT PENSION PLAN (continued)

C. Contributions (continued)

1. General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 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, 2025 were \$187,123. Pioneerland Library System's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Cost

At December 31, 2025, Pioneerland Library System reported a liability of \$890,838 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 \$21,490.

| | |
|--|--------------------------|
| The Library's proportionate share of the net pension liability | \$ 890,838 |
| State of Minnesota's proportionate share of the net pension liability associated with the Library | <u>21,490</u> |
| Total | <u><u>\$ 912,328</u></u> |

The net pension liability was measured as of June 30, 2025, 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, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. Pioneerland Library System's proportionate share was 0.0269% at the end of the measurement period and 0.0280% for the beginning of the period.

For the year ended December 31, 2025, Pioneerland Library System recognized pension expense of \$(33,458) for its proportionate share of the General Employees Plan's pension expense. In addition, Pioneerland Library System recognized an additional \$3,296 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2025**

NOTE 8 DEFINED BENEFIT PENSION PLAN (continued)

D. Pension Costs (continued)

1. General Employees Fund Pension Cost (continued)

At December 31, 2025, 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 | \$ 84,877 | \$ - |
| Changes in actuarial assumptions | 21,464 | 204,979 |
| Net collective difference between projected and actual investment earnings | - | 354,473 |
| Changes in proportion | - | 82,096 |
| Contributions paid to PERA subsequent to the measurement date | 86,949 | - |
| Total | \$ 193,290 | \$ 641,548 |

The \$86,949 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, 2026. 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 |
|----------------------------|------------------------------|
| 2026 | \$ (148,496) |
| 2027 | (184,679) |
| 2028 | (138,709) |
| 2029 | (63,323) |

E. Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rate of return for each major asset class are summarized in the following table:

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

PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

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, 2025, 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 1.50% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% 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 2025:

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 were updated to reflect the changes in assumptions.

G. Discount Rate

The discount rate used to measure the total pension liability in 2025 was 7.0%. 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, 2025**

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% | \$ 2,163,706 |
| Current Discount Rate | 7.00% | \$ 890,838 |
| 1% Higher | 8.00% | \$ (141,744) |

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

On July 1, 2022, the Library signed a long-term contract with a broadband provider to service the various libraries located in the region. The contract expired on June 30, 2025, but the Library exercised the first one-year extension option included in the service agreement to extend the contract to June 30, 2026. 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:

| <u>Year</u> | <u>Future Contract Payment</u> |
|-------------|------------------------------------|
| 2026 | \$ 130,350 |

NOTE 11 PRIOR PERIOD ADJUSTMENT

The Library adopted GASB Statement No. 101, Compensated Absences. As a result of the adoption of the new standard, the Library recorded an increase in long-term liabilities due in more than one year of \$108,610 and a decrease of \$108,610 in the beginning net position as of January 1, 2025. The General Fund was not affected.

**PIONEERLAND LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS
December 31, 2025**

NOTE 11 PRIOR PERIOD ADJUSTMENT (continued)

The following details the change in beginning net position as of January 1, 2025:

| | <u>Net Position</u> |
|--|---------------------|
| Net Position - beginning of year as previously reported | \$ 5,081,589 |
| Prior period adjustment | <u>(108,610)</u> |
| Net Position - beginning of year, as restated | <u>\$ 4,972,979</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 14, 2026, 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, 2025
With Partial Comparative For the Year Ended December 31, 2024

| | 2025 | | | | 2024 |
|----------------------------------|------------------|------------------|------------------|------------------------------|------------------|
| | Budget Amounts | | Actual | Over (Under) Final Budget | |
| | Original | Final | | | |
| REVENUES | | | | | |
| Intergovernmental | | | | | |
| Federal Grants and Aids | | | | | |
| E-Rate funds | \$ 208,560 | \$ 208,560 | \$ 208,560 | - | \$ 208,560 |
| Total Federal Grants and Aids | 208,560 | 208,560 | 208,560 | - | 208,560 |
| State Grants and Aids | | | | | |
| Basic support | 719,000 | 719,000 | 707,380 | (11,620) | 738,096 |
| Legacy grants | 73,012 | 73,012 | 169,345 | 96,333 | 138,696 |
| RLTA | 52,140 | 52,140 | 180,436 | 128,296 | 162,865 |
| Total State Grants and Aids | 844,152 | 844,152 | 1,057,161 | 213,009 | 1,039,657 |
| Local Grants and Aids | | | | | |
| County support | 1,675,806 | 1,675,806 | 1,679,383 | 3,577 | 1,625,169 |
| City support | 2,105,314 | 2,105,314 | 2,081,905 | (23,409) | 2,019,028 |
| Total Local Grants and Aids | 3,781,120 | 3,781,120 | 3,761,288 | (19,832) | 3,644,197 |
| Charges for Services | | | | | |
| Charges and fines | 16,050 | 16,050 | 9,423 | (6,627) | 9,379 |
| Copier, fax, and equipment | 20,275 | 20,275 | 36,225 | 15,950 | 30,924 |
| Total Charges for Services | 36,325 | 36,325 | 45,648 | 9,323 | 40,303 |
| Miscellaneous | | | | | |
| Interest income | 20,100 | 20,100 | 95,304 | 75,204 | 85,802 |
| Market gain on investments - net | - | - | 84,386 | 84,386 | 26,521 |
| Contributions | 22,120 | 22,120 | 271,464 | 249,344 | 118,044 |
| Book sales | 1,615 | 1,615 | 1,603 | (12) | 2,769 |
| Refunds and reimbursements | 70,430 | 70,430 | 47,378 | (23,052) | 47,264 |
| Total Miscellaneous | 114,265 | 114,265 | 500,135 | 385,870 | 280,400 |
| TOTAL REVENUES | <u>4,984,422</u> | <u>4,984,422</u> | <u>5,572,792</u> | <u>588,370</u> | <u>5,213,117</u> |

See notes to required supplementary information

PIONEERLAND LIBRARY SYSTEM
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended December 31, 2025
With Partial Comparative For the Year Ended December 31, 2024

| | 2025 | | | | |
|---------------------------------------|--------------------|--------------------|---------------------|------------------------------|---------------------|
| | Budget Amounts | | Actual | Over (Under) Final Budget | 2024 |
| | Original | Final | | | |
| EXPENDITURES | | | | | |
| Administration and Support | | | | | |
| Current | | | | | |
| Salaries and wages | 475,317 | 475,317 | 393,194 | (82,123) | 378,968 |
| Payroll taxes and benefits | 143,000 | 143,000 | 120,914 | (22,086) | 140,704 |
| Continuing education | 2,000 | 2,000 | 2,514 | 514 | 1,760 |
| Contract services | 59,458 | 59,458 | 32,695 | (26,763) | 25,844 |
| Supplies | 21,000 | 21,000 | 21,265 | 265 | 18,462 |
| Promotion and programming | - | - | - | - | 124 |
| Rent | 47,150 | 47,150 | 47,150 | - | 46,225 |
| Insurance | 10,261 | 10,261 | 9,973 | (288) | 8,676 |
| Telecommunications | 3,500 | 3,500 | 3,352 | (148) | 3,277 |
| Transportation | 100,000 | 100,000 | 97,582 | (2,418) | 81,714 |
| Professional fees | 35,800 | 35,800 | 15,500 | (20,300) | 10,250 |
| Other | 13,200 | 13,200 | 21,252 | 8,052 | 21,339 |
| Allocated expenditures | (236,011) | (236,011) | (236,011) | - | (236,011) |
| Capital outlay | | | | | |
| Books | 50,000 | 50,000 | 29,743 | (20,257) | 66,317 |
| Equipment | 1,000 | 1,000 | 520 | (480) | 1,300 |
| Total Administration and Support | 725,675 | 725,675 | 559,643 | (166,032) | 568,949 |
| Automation and IT | | | | | |
| Current | | | | | |
| Salaries and wages | 58,000 | 58,000 | 57,927 | (73) | 81,646 |
| Payroll taxes and benefits | 21,700 | 21,700 | 20,978 | (722) | 31,696 |
| Continuing education | 500 | 500 | - | (500) | - |
| Contract services | 50,000 | 50,000 | 42,507 | (7,493) | 37,226 |
| Supplies | 2,000 | 2,000 | 373 | (1,627) | 1,043 |
| Periodicals | - | - | 10,000 | 10,000 | (10,000) |
| Telecommunications | 261,900 | 261,900 | 261,399 | (501) | 261,786 |
| Transportation | 2,000 | 2,000 | 285 | (1,715) | 355 |
| Software license and subscriptions | 119,700 | 119,700 | 118,366 | (1,334) | 171,407 |
| Other | 500 | 500 | 202 | (298) | 90 |
| Allocated expenditures | (281,022) | (281,022) | (281,022) | - | (281,022) |
| Capital outlay | | | | | |
| Books | - | - | 42,076 | 42,076 | - |
| Equipment | 10,000 | 10,000 | 636 | (9,364) | 37,838 |
| Total Automation and IT | 245,278 | 245,278 | 273,727 | 28,449 | 332,065 |
| Library Branches | | | | | |
| Current | | | | | |
| Salaries and wages | 2,328,473 | 2,328,473 | 2,232,735 | (95,738) | 2,134,755 |
| Payroll taxes and benefits | 552,091 | 552,091 | 547,440 | (4,651) | 508,290 |
| Continuing education | 28,416 | 28,416 | 19,635 | (8,781) | 15,136 |
| Contract services | 31,820 | 31,820 | 28,417 | (3,403) | 29,796 |
| Supplies | 45,240 | 45,240 | 50,576 | 5,336 | 45,932 |
| Periodicals | 40,588 | 40,588 | 40,930 | 342 | 40,111 |
| Promotion and programming | 69,477 | 69,477 | 118,052 | 48,575 | 96,396 |
| Insurance | 13,339 | 13,339 | 14,175 | 836 | 13,755 |
| Telecommunications | 3,725 | 3,725 | 3,720 | (5) | 3,570 |
| Professional fees | - | - | - | - | 75 |
| Other | 1,556 | 1,556 | 2,622 | 1,066 | 2,371 |
| Allocated expenditures | 517,033 | 517,033 | 517,033 | - | 517,033 |
| Capital outlay | | | | | |
| Books | 354,476 | 354,476 | 340,669 | (13,807) | 380,559 |
| Equipment | 50,618 | 50,618 | 53,776 | 3,158 | 32,092 |
| Total Library Branches | 4,036,852 | 4,036,852 | 3,969,780 | (67,072) | 3,819,871 |
| Legacy Programs | | | | | |
| Current | | | | | |
| Salaries and wages | - | - | 11,310 | 11,310 | 26,590 |
| Contract services | 64,156 | 64,156 | 150,397 | 86,241 | 106,936 |
| Supplies | - | - | 1,734 | 1,734 | 2,324 |
| Promotion and programming | - | - | 5,904 | 5,904 | 2,846 |
| Total Legacy Programs | 64,156 | 64,156 | 169,345 | 105,189 | 138,696 |
| TOTAL EXPENDITURES | <u>5,071,961</u> | <u>5,071,961</u> | <u>4,972,495</u> | <u>(99,466)</u> | <u>4,859,581</u> |
| CHANGE IN FUND BALANCE | <u>\$ (87,539)</u> | <u>\$ (87,539)</u> | 600,297 | <u>\$ 687,836</u> | 353,536 |
| FUND BALANCE BEGINNING OF YEAR | | | <u>6,554,878</u> | | <u>6,201,342</u> |
| FUND BALANCE END OF YEAR | | | <u>\$ 7,155,175</u> | | <u>\$ 6,554,878</u> |

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, 2025 | 0.0269% | \$ 890,838 | \$ 21,490 | \$ 912,328 | \$ 2,434,640 | 36.6% | 90.8% |
| 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% |

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, 2025 | \$ 187,123 | \$ 187,123 | \$ - | \$ 2,494,973 | 7.50% |
| 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% |

See notes to required supplementary information.

PIONEERLAND LIBRARY SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2025

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 CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS

General Employees Fund

2025 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 were updated to reflect the changes in assumptions.

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 were 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%.

PIONEERLAND LIBRARY SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2025

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

General Employees Fund (continued)

2023 Changes (continued)

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.

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.

PIONEERLAND LIBRARY SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2025

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

General Employees Fund (continued)

2020 Changes (continued)

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.

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, 2025

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

General Employees Fund (continued)

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

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, 2025, 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 14, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 2025-001, 2025-002, and 2025-003, 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. We did not test for compliance with the provisions for tax increment financing because the Library has not established any tax increment districts. 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 14, 2026

**PIONEERLAND LIBRARY SYSTEM
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
December 31, 2025**

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

Finding 2025-001

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 2024-001.

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 2025-001

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
December 31, 2025

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

Finding 2025-002

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 2024-002.

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 2025-002

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
December 31, 2025**

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

Finding 2025-003

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 2024-003.

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 2025-003

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
December 31, 2025**

II. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2024-001

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 2024-002

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 2024-003

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.