



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

Financial Statements Audit Report

Mid-Columbia Library

Benton County

For the period January 1, 2011 through December 31, 2013

Published October 30, 2014

Report No. 1012839





Washington State Auditor Troy Kelley

October 30, 2014

Board of Trustees
Mid-Columbia Library
Kennewick, Washington

Report on Financial Statements

Please find attached our report on the Mid-Columbia Library's financial statements.

We are issuing this report in order to provide information on the District's financial condition.

Sincerely,

TROY KELLEY
STATE AUDITOR

TABLE OF CONTENTS

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	4
Independent Auditor's Report On Financial Statements	6
Financial Section.....	9
About The State Auditor's Office.....	31

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*

**Mid-Columbia Library
Benton County
January 1, 2011 through December 31, 2013**

Board of Trustees
Mid-Columbia Library
Kennewick, Washington

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 Mid-Columbia Library, Benton County, Washington, as of and for the years ended December 31, 2013, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated October 21, 2014.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the District using accounting practices prescribed or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

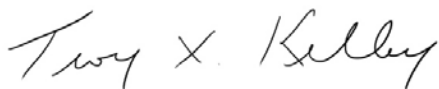
COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of the District's 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 or other matters that are required to be reported under *Government Auditing Standards*.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



TROY KELLEY
STATE AUDITOR

October 21, 2014

Independent Auditor's Report on Financial Statements

Mid-Columbia Library Benton County January 1, 2011 through December 31, 2013

Board of Trustees
Mid-Columbia Library
Kennewick, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Mid-Columbia Library, Benton County, Washington, for the years ended December 31, 2013, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 9.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility

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

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

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

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

Unmodified Opinion on Regulatory Basis of Accounting (BARS Manual)

As described in Note 1, the Mid-Columbia Library has prepared these financial statements using accounting practices prescribed or permitted by Washington State statutes and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Mid-Columbia Library, for the years ended December 31, 2013, 2012 and 2011, on the basis of accounting described in Note 1.

Basis for Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the District used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Mid-Columbia Library, as of December 31, 2013, 2012 and 2011, or the changes in financial position or cash flows for the years then ended, due to the significance of the matter discussed in the above "Basis for Adverse Opinion on U.S. GAAP" paragraph.

Other Matters

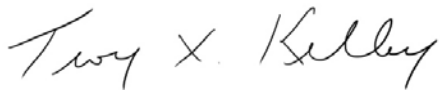
Supplementary and Other Information

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Liabilities are presented for purposes of additional analysis as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR

October 21, 2014

Financial Section

**Mid-Columbia Library
Benton County
January 1, 2011 through December 31, 2013**

FINANCIAL STATEMENTS

Fund Resource and Uses Arising from Cash Transactions – 2013
Fund Resource and Uses Arising from Cash Transactions – 2012
Fund Resource and Uses Arising from Cash Transactions – 2011
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2013
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2012
Notes to Financial Statements – 2013
Notes to Financial Statements – 2012
Notes to Financial Statements – 2011

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2013
Schedule of Liabilities – 2012
Schedule of Long-Term Liabilities – 2011

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds*	001 General	101 Stroh	301 Library Capital Reserve
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	2,011,887	151,910	230,077	1,629,900
30880	Beg Fund Bal-Unreserved	2,438,667	2,438,667	0	0
38800/58800	Prior Period Adjustments, net	0	0	0	0
Operating Revenues					
310	Taxes	4,188,402	4,188,402	0	0
330	Intergovernmental Revenues	258,910	258,910	0	0
340	Charges for Goods and Services	2,164,355	2,164,355	0	0
350	Fines & Penalties	138,694	138,694	0	0
360	Miscellaneous Revenues	223,140	186,160	34,137	2,843
Total Operating Revenues:		6,973,501	6,936,521	34,137	2,843
Operating Expenditures					
570	Culture And Recreation	6,398,674	6,398,674	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		6,398,674	6,398,674		
Net Operating Increase (Decrease):		574,827	537,847	34,137	2,843
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	2,672	2,672	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	412,859	100,111	12,748	300,000
Total Nonoperating Revenues:		415,531	102,783	12,748	300,000
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	2,867	2,867	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	565,430	565,430	0	0
597	Transfers-Out	412,748	312,748	100,000	0
Total Nonoperating Expenditures:		981,045	881,045	100,000	
Increase (Decrease) in Cash and Investments		9,313	-240,415	-53,115	302,843
Ending Cash and Investments					
50810	End Fund Bal-Reserved	2,406,610	296,905	176,962	1,932,743
50880	End Fund Balance-Unreserved	2,053,257	2,053,257	0	0

The accompanying notes are an integral part of this Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds*	001 General	101 Stroh	301 Library Capital Reserve
Beginning Cash and Investments					
30810	Beg Fund Bal-Reserved	2,075,949	472,917	175,826	1,427,206
30880	Beg Fund Bal-Unreserved	2,399,594	2,399,594	0	0
38800/58800	Prior Period Adjustments, net	-5,046	-5,046	0	0
Operating Revenues					
310	Taxes	4,005,375	4,005,375	0	0
330	Intergovernmental Revenues	2,249,158	2,249,158	0	0
340	Charges for Goods and Services	40,003	40,003	0	0
350	Fines & Penalties	132,927	132,927	0	0
360	Miscellaneous Revenues	173,018	116,073	54,251	2,694
Total Operating Revenues:		6,600,481	6,543,536	54,251	2,694
Operating Expenditures					
510	General Government	0	0	0	0
570	Culture And Recreation	6,124,338	6,124,338	0	0
598	Intergovernmental Payments	0	0	0	0
Total Operating Expenditures:		6,124,338	6,124,338		
Net Operating Increase (Decrease):		476,143	419,198	54,251	2,694
Nonoperating Revenues					
370, 380, 395, 398	Other Financing Sources	2,021	2,021	0	0
391-393	Debt Proceeds	0	0	0	0
397	Transfers-In	200,224	224	0	200,000
Total Nonoperating Revenues:		202,245	2,245		200,000
Nonoperating Expenditures					
580, 596, 599	Other Financing Uses	2,763	2,763	0	0
591-593	Debt Service	0	0	0	0
594-595	Capital Expenditures	495,568	495,568	0	0
597	Transfers-Out	200,000	200,000	0	0
Total Nonoperating Expenditures:		698,331	698,331		
Increase (Decrease) in Cash and Investments		-19,943	-276,888	54,251	202,694
Ending Cash and Investments					
50810	End Fund Bal-Reserved	2,011,887	151,910	230,077	1,629,900
50880	End Fund Balance-Unreserved	2,438,667	2,438,667	0	0

The accompanying notes are an integral part of this Statement.

MCAG #1638

MID-COLUMBIA LIBRARIES

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For Year Ending December 31, 2011

		All Funds	General Fund - 001	Stroh Fund - 101	Library Capital Reserve Fund - 301	Revenue Stabilization Fund - 302	Perry Fund - 601	Bartlett Fund - 602
BARS Code	Description	Total Amount	Total Amount	Total Amount	Total Amount	Total Amount	Total Amount	Total Amount
308.10	Reserved Beginning Cash & Investment	\$2,061,165.55	\$506,282.23	\$312,156.66	\$1,216,843.58	\$7,840.08	\$13,043.00	\$5,000.00
308.80	Unreserved Beginning Cash & Investment	\$1,768,600.71	\$1,768,600.71	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
388.80/588.80	Prior Period Adjustments	(1,053.00)	(1,053.00)	-	-	-	-	-
	Revenues and Other Sources							
310	Taxes	3,938,830.04	3,938,830.04	-	-	-	-	-
330	Intergovernmental Revenues	2,244,644.20	2,244,644.20	-	-	-	-	-
340	Charges for Goods and Services	36,538.62	36,538.62	-	-	-	-	-
350	Fines and Penalties	130,291.40	130,291.40	-	-	-	-	-
360	Miscellaneous	177,947.77	89,023.71	83,548.08	5,098.77	16.23	188.68	72.30
390	Other Financing Sources	448,554.55	237,977.22	2,721.02	207,856.31	-	-	-
	Total Revenues and Other Financing Sources	6,976,806.58	6,677,305.19	86,269.10	212,955.08	16.23	188.68	72.30
	Total Resources	10,805,519.84	8,951,135.13	398,425.76	1,429,798.66	7,856.31	\$13,231.68	5,072.30
	Operating Expenditures							
572	Library Services	5,519,182.75	5,519,182.75	-	-	-	-	-
	Total Operating Expenditures	5,519,182.75	5,519,182.75	-	-	-	-	-
594	Capital Expenditures	356,607.04	356,607.04	-	-	-	-	-
	Total Expenditures	5,875,789.79	5,875,789.79	-	-	-	-	-
597	Other Financing Uses	430,717.29	200,000.00	222,600.00	-	7,856.31	188.68	72.30
	Total Expenditures and Other Financing Uses	6,306,507.08	6,075,789.79	222,600.00	-	7,856.31	188.68	72.30
	Excess (Deficit) of Resources Over Uses	4,499,012.76	2,875,345.34	175,825.76	1,429,798.66	-	13,043.00	5,000.00
380	Nonrevenues (Except 384)	-	-	-	-	-	-	-
580	Nonexpenditures (Except 584)	2,834.61	2,834.61	-	-	-	-	-
508.10	Reserved Ending Cash and Investments	\$2,093,991.66	\$472,916.67	\$175,825.76	\$1,427,206.23	\$0.00	\$13,043.00	\$5,000.00
508.80	Unreserved Ending Cash and Investments	\$2,399,593.63	\$2,399,593.63	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

The Accompanying Notes Are An Integral Part Of This Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2013

BARS Code		Total for All funds	601 Perry Trust	602 Bartlett Trust
308	Beginning Cash and Investments	18,043	13,043	5,000
388 and 588	Prior Period Adjustments, net	0	0	0
310-360	Revenues	111	80	31
380-390	Other Increases and Financing Sources	0	0	0
510-570	Expenditures	0	0	0
580-590	Other Decreases and Financing Uses	111	80	31
Increase (Decrease) in Cash and Investments		0	0	0
508	Ending Cash and Investments	18,043	13,043	5,000

The accompanying notes are an integral part of this Statement.

FIDUCIARY FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS

For the Year Ended December 31, 2012

BARS Code		Total for All funds	601 Perry Trust	602 Bartlett Trust
308	Beginning Cash and Investments	18,043	13,043	5,000
388 and 588	Prior Period Adjustments, net	0	0	0
310-360	Revenues	224	162	62
370-390	Other Increases and Financing Sources	0	0	0
510-570	Expenditures	0	0	0
580-590	Other Decreases and Financing Uses	224	162	62
Increase (Decrease) in Cash and Investments		0	0	0
508	Ending Cash and Investments	18,043	13,043	5,000

The accompanying notes are an integral part of this Statement.

Notes to the Financial Statements
January 1, 2013 through December 31, 2013

Note 1 - Summary of Significant Accounting Policies

Mid-Columbia Library is a special purpose government that provides library services to the general public and is supported primarily through property taxes. Mid-Columbia Library was incorporated on January 1, 1949 and operates under Chapter 27.12 RCW, the laws of the state of Washington applicable to library districts.

A. Fund Accounting

The accounts of Mid-Columbia Library are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. Mid-Columbia Library's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by the Mid-Columbia Library:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the Mid-Columbia Library. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the Mid-Columbia Library.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

B. Basis of Accounting

Mid-Columbia Library reports financial activity using the revenue and expenditure classifications, statements and schedule contained in the Cash Basis Budgeting, Accounting and Reporting Systems (BARS) manual. The basis of accounting and reporting is an other comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory, including collection materials are expensed when purchased.

C. Cash

It is Mid-Columbia Library's policy to invest all temporary cash surpluses. The amount is included on the fund statement of resources and uses arising from cash transactions as cash and investments.

D. Deposits

The Mid-Columbia Library deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation.

E. Collection Materials

Collection materials (books, magazines, videos, audios, etc.) are recorded as operating expenditures when purchased.

F. Capital Assets

Capital assets are assets with an initial individual cost of more than \$200 and an estimated useful life in excess of 3 years. The capital assets of the Mid-Columbia Library are recorded as expenditures when purchased.

G. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement. MCL's estimated liability for vacation leave termination benefits on December 31, 2013 was \$137,283.30.

Sick leave may be accumulated up to 496 hours. Upon separation or retirement employees do receive payment for unused sick leave. Sick leave can only be used for paid time off for the illness of the employee or an immediate family member. Only employees who have been employed by Mid-Columbia Libraries for at least ten (10) years and who are leaving MCL employment voluntarily will be eligible for payment for 25% of their accumulated sick leave. MCL's estimated liability for sick leave termination benefits on December 31, 2013 was \$18,318.67.

H. Reserved Fund Balance

The \$296,905 reserved fund balance in the General Fund represents the current balances in the MCL Accounts Payable and Payroll Imprest checking accounts required to be maintained as dictated by Franklin County. The Accounts Payable account was set up with a balance of \$200,000 and the Payroll account was set up with a balance of \$320,000.

Note 2 - Budgets

Mid-Columbia Library adopts annual appropriated budgets for the General, Stroh and Library Capital Reserve funds. These budgets are appropriated at the fund level (except the general (current expense) fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
Administrative Support	\$ 553,189	\$ 540,614	\$ 12,575
Public Services	\$ 3,399,970	\$ 3,335,694	\$ 64,276
Org. of Materials	\$ 1,768,590	\$ 1,768,270	\$ 320
Information Technology	\$ 471,639	\$ 427,789	\$ 43,850
Bookmobile/Outreach	\$ 92,155	\$ 90,788	\$ 1,367
Training	\$ 77,333	\$ 79,856	\$ 2,523
Facilities	\$ 180,611	\$ 154,912	\$ 25,699
Agency Disbursements	\$ 2,500	\$ 1,927	\$ 573
Capital Outlays	\$ 588,061	\$ 565,430	\$ 22,631
Transfers Out	\$ 312,748	\$ 312,748	\$ 0
Total General Fund	\$ 7,446,797	\$ 7,278,028	\$ 168,768
Stroh Fund	\$ 100,000	\$ 100,000	\$ 0
Library Capital Reserve Fund	\$ 0	\$ 0	\$ 0

Budgeted amounts are authorized to be transferred between (departments within any fund/object classes within departments); however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by Mid-Columbia Library's legislative body.

Note 3 - Investments

The Mid-Columbia Library investments are held by Franklin County as its agent in Mid-Columbia Library's name.

Investments by type at December 31, 2013 are as follows:

<u>Type of Investment</u>	<u>Balance</u>
L.G.I.P.	\$ <u>3,126,991</u>
Total	\$ <u>3,126,991</u>

Note 4 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed at the end of each month.

Property tax revenues are recognized when cash is received by Mid-Columbia Library. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Mid-Columbia Library regular levy for the year 2013 was \$.378636 per \$1,000 on an assessed valuation of \$10,927,321,751 for a total regular levy of \$4,137,474.

Note 5 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the Mid-Columbia Library and summarizes the Mid-Columbia Library debt transactions for year ended December 31, 2013.

The debt service requirements for general obligation bonds, revenue bonds and compensated absences including both principle and interest, are as follows:

	<u>Other Debt</u>	<u>Total Debt</u>
2013	<u>\$155,602</u>	<u>\$155,602</u>
TOTALS	<u>\$155,602</u>	<u>\$155,602</u>

Note 6 - Pension Plans

Substantially all Mid-Columbia Library full-time and qualifying part-time employees participate PER 1, 2 and 3 plans administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the Mid-Columbia Library financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

Notes to the Financial Statements
January 1, 2012 through December 31, 2012

Note 1 - Summary of Significant Accounting Policies

Mid-Columbia Libraries reports financial activity using the revenue and expenditure classifications, statements, and schedules contained in the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

Mid-Columbia Libraries was incorporated on January 1, 1949 and operates under the laws of the state of Washington applicable to a library district. Mid-Columbia Libraries is a special purpose government and provides library services. Mid-Columbia Libraries uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

A. Fund Accounting

The accounts of Mid-Columbia Libraries are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. Mid-Columbia Libraries resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by Mid-Columbia Libraries:

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of Mid-Columbia Libraries. It accounts for all financial resources except those required or elected to be accounted for in another fund.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of Mid-Columbia Libraries.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

Permanent Funds

These funds account for financial resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support programs for the benefit of the government or its citizenry.

B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law.

In accordance with state law Mid-Columbia Libraries also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased.

The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

C. Budgets

Mid-Columbia Libraries adopts annual appropriated budgets for General, Special Revenue and Capital Project funds. These budgets are appropriated at the fund level (except the general fund, where budget is adopted at the department level). The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund:			
Administrative Support	\$ 576,986	\$ 569,169	\$ 7,817
Public Services	\$ 2,990,308	\$ 2,810,528	\$ 179,780
Organization of Materials	\$ 1,926,624	\$ 1,787,389	\$ 139,235
Information Technology	\$ 416,803	\$ 384,211	\$ 32,592
Youth Svcs & Outreach	\$ 363,378	\$ 358,714	\$ 4,664
Training	\$ 79,483	\$ 66,061	\$ 13,422
Facilities	\$ 155,736	\$ 148,265	\$ 7,471
Agency Disbursements	\$ 2,500	\$ 2,763	\$- 263
Capital Outlays	\$ 680,360	\$ 495,568	\$ 184,792
Transfers Out	\$ 200,000	\$ 200,000	\$ 0
Total General Fund	\$ 7,392,178	\$ 6,822,668	\$ 569,510
Stroh Fund	\$ 0	\$ 0	\$ 0
Library Capital Res Fund	\$ 0	\$ 0	\$ 0

Budgeted amounts are authorized to be transferred between (departments within any fund/object classes within departments); however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by Mid-Columbia Libraries legislative body.

D. Cash

It is Mid-Columbia Libraries policy to invest all temporary cash surpluses. The amount is included in the cash and investments shown on the statements of fund resources and uses arising from cash transactions. The interest on these investments is prorated to the various funds.

E. Deposits

Mid-Columbia Libraries deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

F. Investments See Note 2, *Investments*.

G. Capital Assets

Capital assets are assets with an initial individual cost of more than \$200 and an estimated useful life in excess of two years. The capital assets of Mid-Columbia Libraries are recorded as expenditures when purchased.

H. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement. MCL's estimated liability for vacation leave termination benefits on December 31, 2012 was \$128,098.27.

Sick leave may be accumulated 496 hours. Upon separation or retirement employees do receive payment for unused sick leave. Sick leave can only be used for paid time off for the illness of the employee or an immediate family member. Only employees who have been employed by Mid-Columbia Libraries for at least ten (10) years and who are leaving MCL employment voluntarily will be eligible for payment for 25% of their accumulated sick leave. MCL's estimated liability for sick leave termination benefits on December 31, 2012 was \$21,749.29.

I. Other Financing Sources or Uses

Mid-Columbia Libraries *Other Financing Sources or Uses* consist of transfers out and transfers in between funds. Minimal amounts are also received from the sale of fixed assets and insurance recoveries.

J. Risk Management – Mid-Columbia Libraries purchases all of its liability insurances for property, personnel and payroll benefits through either the State of Washington or third party insurers. MCL does not self-insure for any type of liability.

K. Reserved Fund Balance – The \$151,910 reserved fund balance in the General Fund represents the current balances in the MCL Accounts Payable and Payroll Imprest checking accounts required to be maintained as dictated by Franklin County. The Accounts Payable account was set up with a balance of \$200,000 and the Payroll account was set up with a balance of \$320,000. The reserve fund balance in the Library Capital Reserve fund is held for purposes of capital expenditures only and any transfers out of the fund must be approved by the Board of Trustees as required by a

Board Resolution. The reserved fund balance in the Stroh fund is a result of the terms of the Stroh Estate will. These funds can only be used for specific purposes at the Kennewick and downtown Pasco branches. The reserved fund balances in the Bartlett and Perry Trust funds are as a result of the terms of the bequest. Only the interest from the principal can be spent, the principal cannot be expended.

Note 2 - Investments

The Mid-Columbia Libraries investments are held by Mid-Columbia Libraries or its agent in Mid-Columbia Libraries name.

Investments are presented at face value.

Investments by type at December 31, 2012 are as follows:

<u>Type of Investment</u>	① <u>Mid-Columbia Libraries</u> own investments	② Investments held by Mid-Columbia Libraries as an agent for other local governments, individuals or private organizations.	③ Total
L.G.I.P.	\$ <u>2,108,008</u>	\$ _____	\$ <u>2,108,008</u>
U.S. Government Securities	_____	_____	_____
Other: _____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Total	\$ <u>2,108,008</u>	\$ _____	\$ <u>2,108,008</u>

Note 3 - Property Tax

The county treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed after the end of each month.

Property tax revenues are recognized when cash is received by Mid-Columbia Libraries. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Mid-Columbia Libraries regular levy for the year 2012 was \$0.39097053 per \$1,000 on an assessed valuation of \$10,153,734,201 for a total regular levy of \$3,969,811.

Note 4 – Debt Service Requirements

The accompanying Schedule of Long-Term Liabilities (09) provides more details of the outstanding debt and liabilities of the Mid-Columbia Libraries and summarizes the Mid-Columbia Libraries debt transactions for year ended December 31, 2012.

The debt service requirements for general obligation bonds, revenue bonds and compensated absences including both principle and interest, are as follows:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2012	\$ _____	\$ _____	\$149,848	\$149,848
TOTALS	\$ _____	\$ _____	<u>\$149,848</u>	<u>\$149,848</u>

Note 5 - Pension Plans

Substantially all Mid-Columbia Libraries full-time and qualifying part-time employees participate in PERS I, II & III plans administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. Actuarial information is on a system-wide basis and is not considered pertinent to the Mid-Columbia Libraries financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the Washington State Department of Retirement Systems annual financial report. A copy of this report may be obtained by writing to:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

Note 6 - Other Disclosures

Prior year net adjustments of -\$5,046 were made to the 2012 year end General Fund. A -\$5,055 adjustment was made to prior year supplies inventory balance and a \$9 adjustment to the Payroll imprest fund was made to correct a posting error.

MID-COLUMBIA LIBRARIES
Notes to Financial Statements
January 1, 2011 through December 31, 2011

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

The Mid-Columbia Libraries (MCL) is a special purpose government that provides library services to the general public and is supported primarily through property taxes. MCL was incorporated on January 1, 1949 and operates under Chapter 27.12 RCW, the laws of the state of Washington applicable to a library district.

a. **Fund Accounting**

The accounts of MCL are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. MCL's resources are allocated to and accounted for in individual funds depending on their intended purpose. The following are the fund types used by MCL.

GOVERNMENTAL FUND TYPES:

- General (Current Expense) Fund
This fund is the primary operating fund of MCL. It accounts for all financial resources except those required or elected to be accounted for in another fund.
- Special Revenue Fund
This fund accounts for the proceeds of a specific revenue source (other than for major capital projects) that are legally restricted to expenditures for a specific purpose.
- Capital Project Fund
This fund accounts for financial resources that are designated for the acquisition or construction of general government capital projects.
- Permanent Funds
These funds account for resources that are legally restricted to the extent that only earnings, and not a principal, may be used for purposes supporting government's programs – that is, for the benefit of the government or its citizenry.

b. **Basis of Accounting**

The MCL reports financial activity using the revenue and expenditure classifications, statements and schedules contained in the Cash Basis Budgeting, Accounting and Reporting System (BARS) manual. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid.

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory, including collection materials, is expensed when purchased.

c. **Cash**

It is MCL's policy to invest all temporary cash surpluses. The amount is included on the statement of resources and uses arising from cash transactions as net cash and investments.

d. **Deposits**

MCL's deposits (and certificates of deposit) are covered by (the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission).

e. **Collection Materials**

Collection materials (books, e-books, magazines, videos, audios, etc.) are recorded as operating expenditures when purchased.

f. **Capital Assets**

Capital assets are long-lived assets of MCL and are recorded as capital expenditures when purchased.

g. **Compensated Absences**

Vacation pay may be accumulated up to 30 days and is payable upon separation or retirement. MCL's estimated liability for vacation leave termination benefits on December 31, 2011 was \$150,554.35.

Sick leave may accumulate up to 496 hours. Upon separation or retirement employees do receive payment for unused sick leave. Sick leave can only be used for paid time off for

the illness of the employee or an immediate family member. Only employees who have been employed by Mid-Columbia Libraries for at least ten (10) years and who are leaving MCL employment voluntarily will be eligible for payment for 25% of their accumulated sick leave. MCL's estimated liability for sick leave termination benefits on December 31, 2011 was \$23,493.02.

h. **Reserved Fund Balance**

The \$472,917 reserved fund balance in the General Fund represents the current balances in the MCL Accounts Payable and Payroll Imprest checking accounts required to be maintained as dictated by Franklin County. The Accounts Payable account was set up with a balance of \$200,000 and the Payroll account was set up with a balance of \$320,000.

NOTE 2 - INVESTMENTS

The MCL investments are held by the Franklin County Treasurer as its agent in MCL's name. Investments by type on December 31, 2011 were as follows:

<u>Type of Investment</u>	<u>Balance</u>
WA State Pool	\$3,511,603
TOTAL	<u>\$3,511,603</u>

NOTE 3 - LONG-TERM DEBT

The accompanying Schedule of Long-Term Debt (09) provides a listing of the outstanding debt of the district and summarizes the district's debt transactions for year 2011. The debt service requirements, including interest are as follows:

	<u>General Obligation Bonds</u>	<u>Other Debt</u>	<u>Total Debt</u>
2011	<u>\$ 0</u>	<u>\$ 174,047</u>	<u>\$ 174,047</u>
TOTALS	<u>\$ 0</u>	<u>\$ 174,047</u>	<u>\$ 174,047</u>

MCL's only outstanding debt is Compensated Absences. This is being reported for the second time on Schedule of Long-Term Debt (09) due to a 01/01/11 reporting requirement change.

NOTE 4 - PENSION PLANS

Substantially all of MCL's full-time and qualifying part-time employees participate in the PERS I, II & III retirement plans administered by the Department of Retirement Systems, under cost-sharing multiple-employer public employee retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to MCL's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

Historical trend or other information regarding each plan is presented in the state Department of Retirement Systems annual financial report. A copy of this report may be obtained at:

Department of Retirement Systems
Communications Unit
PO Box 48380
Olympia, WA 98504-8380

OTHER DISCLOSURES

In February 2011, MCL changed its pay date from the last working day of the month to the 10th of the month following the month's completion. This resulted in a one-time one month salary and benefits savings for MCL since there were only eleven pay periods in 2011 due to the pay date change. The pay date change was incorporated with the implementation of the updated timekeeping system that was installed at the same time. The pay date change allowed for MCL to align its pay periods with the State's retirement system pay schedule and to allow for easier implementation of system wide rate changes since they normally occur at the start of the month. In 2012, the pay schedule resumes with twelve pay periods in the year.

Prior year net adjustments of -\$1,053 were made to the 2011 year end General Fund cash balance. A \$40 addition was made to correct the balances of cash drawers to actual counts, an \$894.40 adjustment was made to reverse JE77 and correct outstanding Accounts Payable balances that had been established in error in 2009. A -\$1,987 adjustment was made to correct prior year inventory value amounts to actual amounts.

Mid-Columbia LibrarySchedule of Liabilities
For the year ended December 31, 2013

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2013	Additions	Reductions	Ending Balance December 31, 2013
General Obligations							
	259.11	Compensated Absences		149,848	5,754	0	155,602
		Total General Obligations:		149,848	5,754	0	155,602
		Total Liabilities:		149,848	5,754	0	155,602

The accompanying notes to the financial statements are an integral part of this schedule

MCAG NO. 1638

Mid-Columbia Library

Schedule 09

**Schedule of Liabilities
For the year ended December 31, 2012**

Debt Type	ID. No.	Description	Maturity/Payment Due Date	Beginning Balance January 1, 2012	Additions	Reductions	Ending Balance December 31, 2012
General Obligations							
	263.98	Compensated Absences	12/31/2013	174,047	0	24,199	149,848
		Total General Obligations:		174,047	0	24,199	149,848
		Total Liabilities:		174,047	0	24,199	149,848

The accompanying notes to the financial statements are an integral part of this schedule

MID-COLUMBIA LIBRARIES

Schedule of Long-Term Liabilities

MCAG #1638

Schedule 09

Page 1 of 1

For Year Ending December 31, 2011

ID. No.	Description	Beginning Balance 01/01/2011	Additions	Reductions	BARS Code for Redemption of Debt Only	Ending Balance 12/31/2011
259.11	Compensated Absences	165944	8103			174047

The Accompanying Notes Are An Integral Part Of This Statement.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov