



**Office of the Washington State Auditor**  
**Pat McCarthy**

**Financial Statements Audit Report**  
**North Central Intercounty Rural**  
**Library**  
**(North Central Regional Library)**  
**Chelan County**

**For the period January 1, 2013 through December 31, 2015**

**Published January 19, 2017**  
**Report No. 1018138**





**Office of the Washington State Auditor  
Pat McCarthy**

January 19, 2017

Board of Trustees  
North Central Regional Library  
Wenatchee, Washington

**Report on Financial Statements**

Please find attached our report on the North Central Regional Library's financial statements.

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

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**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**

**North Central Regional Library  
Chelan County  
January 1, 2013 through December 31, 2015**

Board of Trustees  
North Central Regional Library  
Wenatchee, 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 North Central Regional Library, Chelan County, Washington, as of and for the years ended December 31, 2015, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 2, 2016.

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 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy

State Auditor

Olympia, WA

December 2, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## North Central Regional Library Chelan County January 1, 2013 through December 31, 2015

Board of Trustees  
North Central Regional Library  
Wenatchee, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the North Central Regional Library, Chelan County, Washington, for the years ended December 31, 2015, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 10.

### 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 North Central Regional Library has prepared these financial statements to meet the financial reporting requirements of Washington State statutes using accounting practices prescribed by 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 North Central Regional Library, for the years ended December 31, 2015, 2014 and 2013, 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 North Central Regional Library, as of December 31, 2015, 2014 and 2013, 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 December 2, 2016 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.



Pat McCarthy

State Auditor

Olympia, WA

December 2, 2016

## **FINANCIAL SECTION**

**North Central Regional Library  
Chelan County  
January 1, 2013 through December 31, 2015**

### **FINANCIAL STATEMENTS**

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**North Central Intercounty Rural Library  
Fund Resources and Uses Arising from Cash Transactions  
For the Year Ended December 31, 2015**

**Beginning Cash and Investments**

30810	Reserved	324,147
30880	Unreserved	18,157,748
388 & 588	Prior Period Adjustments, Net	-

**Operating Revenues**

310	Taxes	11,897,831
330	Intergovernmental Revenues	88,084
340	Charges for Goods and Services	402,135
350	Fines and Penalties	17,056
360	Miscellaneous Revenues	237,646
Total Operating Revenues:		<u>12,642,752</u>

**Operating Expenditures**

570	Culture and Recreation	11,082,565
Total Operating Expenditures:		<u>11,082,565</u>
Net Operating Increase (Decrease):		<u>1,560,187</u>

**Nonoperating Revenues**

370-380, 395 & 398	Other Financing Sources	77
391-393	Debt Proceeds	-
397	Transfers-In	-
Total Nonoperating Revenues:		<u>77</u>

**Nonoperating Expenditures**

580, 596 & 599	Other Financing Uses	-
591-593	Debt Service	-
594-595	Capital Expenditures	327,484
597	Transfers-Out	-
Total Nonoperating Expenditures:		<u>327,484</u>

**Net Increase (Decrease) in Cash and Investments:** 1,232,780

**Ending Cash and Investments**

5081000	Reserved	314,629
5088000	Unreserved	19,400,047
<b>Total Ending Cash and Investments</b>		<u><b>19,714,676</b></u>

*The accompanying notes are an integral part of this statement.*

**North Central Intercounty Rural Library  
Fund Resources and Uses Arising from Cash Transactions  
For the Year Ended December 31, 2014**

**Beginning Cash and Investments**

30810	Reserved	325,333
30880	Unreserved	16,486,377
388 & 588	Prior Period Adjustments, Net	-

**Operating Revenues**

310	Taxes	11,015,473
330	Intergovernmental Revenues	104,538
340	Charges for Goods and Services	385,271
350	Fines and Penalties	18,750
360	Miscellaneous Revenues	206,602
Total Operating Revenues:		<u>11,730,633</u>

**Operating Expenditures**

570	Culture and Recreation	9,943,926
Total Operating Expenditures:		<u>9,943,926</u>
Net Operating Increase (Decrease):		<u>1,786,707</u>

**Nonoperating Revenues**

370-380, 395 & 398	Other Financing Sources	-
391-393	Debt Proceeds	-
397	Transfers-In	-
Total Nonoperating Revenues:		<u>-</u>

**Nonoperating Expenditures**

580, 596 & 599	Other Financing Uses	-
591-593	Debt Service	-
594-595	Capital Expenditures	116,522
597	Transfers-Out	-
Total Nonoperating Expenditures:		<u>116,522</u>

**Net Increase (Decrease) in Cash and Investments:** **1,670,185**

**Ending Cash and Investments**

5081000	Reserved	324,147
5088000	Unreserved	18,157,748
<b>Total Ending Cash and Investments</b>		<u><b>18,481,895</b></u>

*The accompanying notes are an integral part of this statement.*

**North Central Intercounty Rural Library  
Fund Resources and Uses Arising from Cash Transactions  
For the Year Ended December 31, 2013**

**Beginning Cash and Investments**

30810	Reserved	520,019
30880	Unreserved	14,299,287
388 & 588	Prior Period Adjustments, Net	-

**Operating Revenues**

310	Taxes	10,904,352
330	Intergovernmental Revenues	62,931
340	Charges for Goods and Services	395,643
350	Fines & Penalties	16,736
360	Miscellaneous Revenues	233,505
Total Operating Revenues:		<u>11,613,167</u>

**Operating Expenditures**

570	Culture And Recreation	9,576,563
Total Operating Expenditures:		<u>9,576,563</u>
Net Operating Increase (Decrease):		<u>2,036,604</u>

**Nonoperating Revenues**

370-380, 395 & 398	Other Financing Sources	90
391-393	Debt Proceeds	-
397	Transfers-In	100,000
Total Nonoperating Revenues:		<u>100,090</u>

**Nonoperating Expenditures**

580, 596 & 599	Other Financing Uses	-
591-593	Debt Service	-
594-595	Capital Expenditures	44,290
597	Transfers-Out	100,000
Total Nonoperating Expenditures:		<u>144,290</u>

**Net Increase (Decrease) in Cash and Investments:** **1,992,404**

**Ending Cash and Investments**

5081000	Reserved	325,333
5088000	Unreserved	16,486,377
<b>Total Ending Cash and Investments</b>		<u><b>16,811,710</b></u>

*The accompanying notes are an integral part of this statement.*

**North Central Regional Library**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2015**

**Note 1 - Summary of Significant Accounting Policies**

The North Central Regional Library was incorporated on 1960 and operates under the laws of the state of Washington applicable to a intercounty rural library district. The Library is a special purpose local government and provides library services.

The Library reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

**A. Fund Accounting**

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

**GOVERNMENTAL FUND TYPES:**

**General Fund**

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

For internal managerial purposes, the General Fund is divided into Current Expense, Automation, Facility Improvement, Payroll Emergency and Endowment Funds.

**B. Basis of Accounting and Measurement Focus**

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

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

#### D. Budgets

The Library adopts annual appropriated budgets for its general funds. This budget is appropriated at the fund 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:			
Current Expense	\$ 11,948,700	\$ 11,402,891	\$ 545,809
Automation	\$ 50,000	\$ 50,000	\$ 0
Facility Improvement	\$ 50,000	\$ 33,206	\$ 16,794
Payroll Emergency	\$ 0	\$ 0	\$ 0
Endowment	\$ 27,000	\$ 22,853	\$ 4,147
Total General Fund	\$ 12,075,700	\$ 11,508,951	\$ 566,749

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 must be approved by the Library's legislative body.

#### E. Cash and Investments

See Note X, *Deposits and Investments*.

#### F. Capital Assets

Capital assets are assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of five years.

#### G. Compensated Absences

Other than the exception noted below, vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours. Upon separation or retirement employees do not receive payment for unused sick leave.

Exception: Vacation pay may be accumulated up to 480 hours during last two years of employment for employees covered by Resolution 84-1 and Resolution 84-2 and is payable upon separation or retirement. Employees covered by the same resolutions shall receive pay for up to 48 hours of sick leave if total accumulation is at least 192 hours. Employees covered by these resolutions must be members of the Public Employee Retirement System prior to October 1, 1977. They must also have not chosen to take advantage of a buy-out offered in May, 1984.

Payments are recognized as expenditures when paid.

I. Long-Term Debt

See Note X, *Debt Service Requirements*.

J. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by bequests. The Library expends bequests as stipulated by the donors.

Reservations of Ending Cash and Investments consist of \$314,628.53; which includes the following bequests:

- Verne Blough Endowment Fund established in 2000 for the purpose of purchasing library materials and developing outreach services to seniors, rest homes and convalescent centers;
- Victor G. & Charlotte F. McLeod Endowment Fund established February, 2003 for educational library materials and media;
- Anne L. Simpson Fund established in June 2004 for library materials to be designated for the Leavenworth, Peshastin and Cashmere Libraries
- North Central Regional Library Library Fund established in September, 2004 to be used for a variety of smaller bequests and donations.

**Note II - 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 Library. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Library's regular levy for the year 2015 was \$0.452283296771 per \$1,000 on an assessed valuation of \$25,993,493,003 for a total regular levy of \$11,756,422.71.

**Note III – Deposits and Investments**

It is the Library's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the Library or its agent in the government's name.

Investments are reported at fair value. Investments by type at December 31, 2015 are as follows:

<u>Type of Investment</u>	Library's own investments	Investments held by County as an agent for Library	Total
L.G.I.P.	\$ _____	<u>\$19,464,676</u>	<u>\$19,464,676</u>
Total	\$ _____	<u>\$19,464,676</u>	<u>\$19,464,676</u>



## **Note IV – Debt Service Requirements**

### **Debt Service**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the Library and summarizes the Library's debt transactions for year ended December 31, 2015.

## **Note V – Pension Plans**

### **State Sponsored Pension Plans**

Substantially all Library's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98540-8380

Also, the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

At June 30, 2015 (the measurement date of the plans), the Library's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Net Pension Liability
PERS 1	0.007699%	\$402,729
PERS 1 UAAL	0.028807%	\$1,506,874
PERS 2/3	0.037219%	\$1,329,856
TOTAL		\$3,239,459

**North Central Regional Library**  
**For the Year Ended December 31, 2014**

**Note 1 - Summary of Significant Accounting Policies**

The North Central Regional Library was incorporated on 1960 and operates under the laws of the state of Washington applicable to a intercounty rural library district. The Library is a special purpose local government and provides library services.

The Library reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are not presented using the classifications defined in GAAP.

**A. Fund Accounting**

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues and expenditures. The government's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements. The following fund types are used:

**GOVERNMENTAL FUND TYPES:**

**General Fund**

This fund is the primary operating fund of the government. It accounts for all financial resources.

For internal managerial purposes, the General fund is divided into Current Expense, Automation, Facility Improvement, Payroll Emergency and Endowment Funds.

**B. Basis of Accounting and Measurement Focus**

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received and expenditures are recognized when paid.

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

**C. Budgets**

The Library adopts annual appropriated budgets for its general fund. This budget is appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for this fund 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:			
Current Expense	\$ 12,547,650	\$ 10,007,771	\$ 2,539,879
Automation Fund	\$ 400,000	\$ 0	\$ 400,000
Facility Improvement	\$ 225,000	\$ 49,178	\$ 175,822
Payroll Fund	\$ 0	\$ 0	\$ 0
Endowment Fund	\$ 119,000	\$ 3,499	\$ 115,501
	\$	\$	\$
Total General Fund	\$ 13,291,650	\$ 10,060,448	\$ 3,231,202

Budgeted amounts are not authorized to be transferred without approval of the Board. Any revisions that alter the total expenditures of the fund must be approved by the Library's legislative body.

D. Cash and Investments

See Note 3, *Deposits and Investments*.

E. Capital Assets

Capital assets are assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 5 years.

F. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave may be accumulated up to 960 hours. Upon separation or retirement employees do not receive payment for unused sick leave

Exception: Vacation pay may be accumulated up to 480 hours during last two years of employment for employees covered by Resolution 84-1 and Resolution 84-2 and is payable upon separation or retirement. Employees covered by the same resolutions shall receive pay for up to 48 hours of sick leave if total accumulation is at least 192 hours. Employees covered by these resolutions must be members of the Public Employee Retirement System prior to October 1, 1977. They must also have not chosen to take advantage of a buy-out offered in May, 1984.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Reserved Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments is reported as reserved when it is subject to restrictions on use imposed by bequests. The Library expends bequests as stipulated by the donors.

Reservations of Ending Cash and Investments consist of \$324,147.38; which includes the following bequests:

- Verne Blough Endowment Fund established in 2000 for the purpose of purchasing library materials and developing outreach services to seniors, rest homes and convalescent centers;

- Victor G. & Charlotte F. McLeod Endowment Fund established February, 2003 for educational library materials and media;
- Anne L. Simpson Fund established in June 2004 for library materials to be designated for the Leavenworth, Peshastin and Cashmere Libraries
- North Central Regional Library District Fund established in September, 2004 to be used for a variety of smaller bequests and donations.

## **Note 2 - 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 the Library. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

The Library's regular levy for the year 2014 was \$0.450112 per \$1,000 on an assessed valuation of \$24,814,222,484 for a total regular levy of \$11,169,191.03.

## **Note 3 – Deposits and Investments**

### **Deposits and Investments**

It is the Library's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the Library or its agent in the government's name.

Investments are reported at fair value. Investments by type at December 31, 2014 are as follows:

<u>Type of Investment</u>	Library's own investments	Investments held by county as an agent for Library	Total
L.G.I.P.	\$ _____ \$16,412,383.32	\$16,412,383.32 _____	_____ _____
U.S. Government Securities			
Other: _____	_____	_____	_____
Total	\$ _____	\$16,412,383.32	\$16,412,383.42

## **Note 4 – Debt Service Requirements**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the Library and summarizes the Library's debt transactions for year ended December 31, 2014.

## **Note 5 - Pension Plans**

Substantially all Library full-time and qualifying part-time employees participate in Public Employees Retirement System 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 Library'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 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

**NORTH CENTRAL INTERCOUNTY RURAL LIBRARY DISTRICT  
DBA NORTH CENTRAL REGIONAL LIBRARY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

Note 1 – SUMMARY OF ACCOUNTING POLICIES

a. Reporting Entity

North Central Intercounty Rural Library District is a municipal corporation organized to provide library service for all areas outside of incorporated cities and towns within the participating counties of Chelan, Douglas, Ferry, Grant, and Okanogan. The management and control of the district is vested in a board of seven trustees. The board of trustees is appointed by the joint action of the boards of county commissioners of each of the counties included in the district.

b. Basis of Presentation – Fund Accounting

The account of North Central Intercounty Rural Library District is organized on the basis of a general fund (current expense).

GOVERNMENTAL FUND TYPES:

General (Current Expense) Fund

This fund is the primary operating fund of the District. It accounts for all financial resources and transactions of the district not required to be accounted for in another fund. Effective January 1, 2010, all funds were rolled into current expense fund to meet BARS requirements.

For internal managerial purposes, the current expense fund is tracked by separate titles of General, Automation Development, District Facility Improvement, Payroll Emergency and Endowment Funds.

Internal tracking of the district's fund includes the following breakdown from bequests: the Verne Blough Endowment Fund established in 2000 for the purpose of purchasing library materials and developing outreach services to seniors, rest homes and convalescent centers; the Marjorie E. Weinmann Endowment Fund established in 2000 with expenditures to be designated by Trustees on a project basis (fund balance expended in 2013); the Victor G. & Charlotte F. McLeod Endowment Fund established February, 2003 for educational library materials and media; the Anne L. Simpson Fund established in June 2004 for library materials to be designated for the Leavenworth, Peshastin and Cashmere Libraries; the North Central Regional Library District Fund established in September, 2004 to be used for the Quincy, Twisp and Republic Libraries and also includes the Allen Family .

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DECEMBER 31, 2013**

Foundation donation to support the Columbia River Teens Read project through June 1, 2013 or until funds are depleted. These funds are currently being administered by Chelan County.

**BASIS OF ACCOUNTING:**

Accounting records for the district are maintained in accordance with methods prescribed by the State Auditor under the authority Of Washington State law, Chapter 43.09 RCW. The district uses the revenue and expenditure classifications contained in the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor.

Revenues are recognized only when received in cash, and expenditures are recognized when warrants are issued. Purchases of fixed assets are expensed during the year acquired and long-term liabilities are not recorded. These practices are departures from generally accepted accounting principles.

c. Duties of Chelan County

As required by statute, Chelan County serves as the district's treasurer, issues the district's warrants, and prepares cash receipt and disbursement reports of the district's financial activity. In addition, \$50,000.00 is in the North Central Regional Library Revolving Fund held at Key Bank, Wenatchee, Washington.

d. Budgetary Data

The Library adopts annual appropriated budgets for its general fund. This budget is appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for this fund 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	Actual Expenditures	Variance
General Fund:			
Current Expense	\$ 12,047,275	\$ 9,524,970	\$ 2,522,305
Automation Fund	\$ 400,000	\$ 0	\$ 400,000
Facility Improvement	\$ 225,000	\$ 0	\$ 225,000
Payroll Fund	\$ 0	\$ 0	\$ 0
Endowment Fund	\$ 210,392	\$ 195,883	\$ 14,509
	\$	\$	\$
Total General Fund	\$ 13,291,650	\$ 9,720,853	\$ 3,161,814

**NORTH CENTRAL INTERCOUNTY RURAL LIBRARY DISTRICT  
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Budgeted amounts are not authorized to be transferred without approval of the Board. Any revisions that alter the total expenditures of the fund must be approved by the Library's legislative body.

e. Cash and Investments

See Note 3, *Deposits and Investments*.

f. Collection Materials

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

g. Capital Assets

Fixed assets are expensed when purchased. This is a departure from generally accepted accounting principles.

h. Long-Term Debt

As of December 31, 2013, the district has \$274,221 obligated annual leave and sick leave compensation.

i. Compensated Absences

Vacation pay may be accumulated up to 240 hours and is payable upon separation or retirement. Sick leave may accumulate up to 960 hours. Upon separation or retirement employees do not receive payment for unused sick leave. Exception: Vacation pay may be accumulated up to 480 hours during last two years of employment for employees covered by Resolution 84-1 and Resolution 84-2 and is payable upon separation or retirement. Employees covered by the same resolutions shall receive pay for up to 48 hours of sick leave if total accumulation is at least 192 hours. Employees covered by these resolutions must be members of the Public Employee Retirement System prior to October 1, 1977. They must also have not chosen to take advantage of a buy-out offered in May, 1984.

Note 2 – 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 the Library. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.



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The Library's regular levy for the year 2013 was \$0.451156 per \$1,000 on an assessed valuation of \$24,210,330,020 for a total regular levy of \$10,922,633.20.

**Note 3 – DEPOSITS AND INVESTMENTS**

It is the Library's policy to invest all temporary cash surpluses. The interest on these investments is prorated to the various funds.

All deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation and the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the Library or its agent in the government's name.

Investments are reported at fair value.

The District's investments as of December 31, 2013 are \$16,360,865.37.

<u>Name of Investment</u>	<u>Investment Value As Of</u> <u>December 31, 2013</u>
<u>Chelan County Treasurer:</u>	
General Fund Investments	\$ 13,793,304.20
Automation Designated	\$ 560,352.16
Dist. Facility Improvement	\$ 408,356.33
Payroll Emergency	\$ 1,274,159.23
Endowment Funds:	
Blough Endowment	\$ 80,561.58
Weinmann Endowment	\$ 0.00
McLeod Endowment	\$ 26,043.36
Simpson Endowment	\$ 204,640.60
NCRL District Endow.	<u>\$ 13,447.91</u>
Total Investments	<u>\$ 16,360,865.37</u>

**Note 4 – PENSION PLANS**

Substantially, all of the District's full-time and qualifying part-time employees participate in the Public Employees Retirement System, Plans I, II and III, administered by the Department of Retirement Systems, under cost-sharing multiple employer public employee defined benefit retirement systems. Actuarial information is on a system-wide basis and is not considered

**NORTH CENTRAL INTERCOUNTY RURAL LIBRARY DISTRICT  
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pertinent to the District'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:

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Communications Unit  
PO Box 48380  
Olympia WA 98504-8380

**Note 5 – OTHER DISCLOSURES**

Effective January 1, 2010, all funds were rolled into current expense fund to meet BARS requirements.

**North Central Intercounty Rural Library**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2015**

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		277,927	-	6,616	271,311
264.30	Net Pension Liability		-	3,239,459	-	3,239,459
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<u>277,927</u>	<u>3,239,459</u>	<u>6,616</u>	<u>3,510,770</u>
<b>Total Liabilities:</b>			<u>277,927</u>	<u>3,239,459</u>	<u>6,616</u>	<u>3,510,770</u>

**North Central Intercounty Rural Library**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2014**

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>General Obligation Debt/Liabilities</b>						
259.11	Compensated Absences		274,221	3,706	-	277,927
	<b>Total General Obligation Debt/Liabilities:</b>		<b>274,221</b>	<b>3,706</b>	<b>-</b>	<b>277,927</b>
	<b>Total Liabilities:</b>		<b>274,221</b>	<b>3,706</b>	<b>-</b>	<b>277,927</b>

**North Central Intercounty Rural Library**  
**Schedule of Liabilities**  
**For the Year Ended December 31, 2013**

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>General Obligation Debt/Liabilities</b>						
259.11	compensated absences		245,684	28,537	-	274,221
	<b>Total General Obligation Debt/Liabilities:</b>		<b>245,684</b>	<b>28,537</b>	<b>-</b>	<b>274,221</b>
	<b>Total Liabilities:</b>		<b>245,684</b>	<b>28,537</b>	<b>-</b>	<b>274,221</b>

## 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	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>