



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Mid-Columbia Library

Benton County

For the period January 1, 2014 through December 31, 2016

Published December 4, 2017

Report No. 1020306





Office of the Washington State Auditor
Pat McCarthy

December 4, 2017

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,

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**

**Mid-Columbia Library
Benton County
January 1, 2014 through December 31, 2016**

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, 2016, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated November 28, 2017.

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

November 28, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Mid-Columbia Library Benton County January 1, 2014 through December 31, 2016

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, 2016, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the District's financial statements, as listed on page 11.

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 opinions 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 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 Mid-Columbia Library, for the years ended December 31, 2016, 2015 and 2014, 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, 2016, 2015 and 2014, 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 opinions on the financial statements taken as a whole. The 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 November 28, 2017 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

November 28, 2017

FINANCIAL SECTION

**Mid-Columbia Library
Benton County
January 1, 2014 through December 31, 2016**

FINANCIAL STATEMENTS

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Mid-Columbia Library
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	001 General	101 Stroh	301 Library Capital Reserve
Beginning Cash and Investments					
30810	Reserved	2,460,147	489,217	233,765	1,737,165
30880	Unreserved	2,278,407	2,278,407	-	-
388 / 588	Prior Period Adjustments, Net	8,082	8,082	-	-
Revenues					
310	Taxes	4,551,408	4,551,408	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	209,930	209,930	-	-
340	Charges for Goods and Services	2,339,247	2,339,247	-	-
350	Fines and Penalties	87,393	87,393	-	-
360	Miscellaneous Revenues	104,632	89,122	8,215	7,295
Total Revenues:		7,292,610	7,277,100	8,215	7,295
Expenditures					
570	Culture and Recreation	7,025,622	7,025,622	-	-
Total Expenditures:		7,025,622	7,025,622	-	-
Excess (Deficiency) Revenues over Expenditures:		266,988	251,478	8,215	7,295
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	84	84	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	3,945	3,945	-	-
Total Other Increases in Fund Resources:		4,029	4,029	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	384,894	384,894	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	4,083	4,083	-	-
Total Other Decreases in Fund Resources:		388,977	388,977	-	-
Increase (Decrease) in Cash and Investments:		(117,960)	(133,470)	8,215	7,295
Ending Cash and Investments					
5081000	Reserved	2,482,512	496,072	241,980	1,744,460
5088000	Unreserved	2,146,164	2,146,164	-	-
Total Ending Cash and Investments		4,628,676	2,642,236	241,980	1,744,460

The accompanying notes are an integral part of this statement.

Mid-Columbia Library
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	001 General	101 Stroh	301 Library Capital Reserve
Beginning Cash and Investments					
30810	Reserved	2,657,995	502,395	221,018	1,934,582
30880	Unreserved	2,237,710	2,237,710	-	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	4,440,633	4,440,633	-	-
330	Intergovernmental Revenues	227,372	227,372	-	-
340	Charges for Goods and Services	2,367,503	2,367,503	-	-
350	Fines and Penalties	124,105	124,105	-	-
360	Miscellaneous Revenues	205,703	190,373	12,747	2,583
Total Operating Revenues:		7,365,316	7,349,986	12,747	2,583
Operating Expenditures					
570	Culture and Recreation	6,818,641	6,818,641	-	-
Total Operating Expenditures:		6,818,641	6,818,641	-	-
Net Operating Increase (Decrease):		546,675	531,345	12,747	2,583
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	9,151	9,151	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	200,086	200,086	-	-
Total Nonoperating Revenues:		209,237	209,237	-	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	3,790	3,790	-	-
591-593	Debt Service	-	-	-	-
594-595	Capital Expenditures	709,273	709,273	-	-
597	Transfers-Out	200,000	-	-	200,000
Total Nonoperating Expenditures:		913,063	713,063	-	200,000
Net Increase (Decrease) in Cash and Investments:		(157,151)	27,519	12,747	(197,417)
Ending Cash and Investments					
5081000	Reserved	2,460,147	489,217	233,765	1,737,165
5088000	Unreserved	2,278,407	2,278,407	-	-
Total Ending Cash and Investments		4,738,554	2,767,624	233,765	1,737,165

The accompanying notes are an integral part of this statement.

Mid-Columbia Library
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		Total for All Funds (Memo Only)	001 General	101 Stroh	301 Library Capital Reserve
Beginning Cash and Investments					
30810	Reserved	2,406,610	296,905	176,962	1,932,743
30880	Unreserved	2,053,257	2,053,257	-	-
388 & 588	Prior Period Adjustments, Net	-	-	-	-
Operating Revenues					
310	Taxes	4,315,621	4,315,621	-	-
330	Intergovernmental Revenues	311,572	311,572	-	-
340	Charges for Goods and Services	2,316,841	2,316,841	-	-
350	Fines and Penalties	134,729	134,729	-	-
360	Miscellaneous Revenues	214,813	168,918	44,056	1,839
Total Operating Revenues:		7,293,576	7,247,681	44,056	1,839
Operating Expenditures					
570	Culture and Recreation	6,651,025	6,651,025	-	-
Total Operating Expenditures:		6,651,025	6,651,025	-	-
Net Operating Increase (Decrease):		642,551	596,656	44,056	1,839
Nonoperating Revenues					
370-380, 395 & 398	Other Financing Sources	7,320	7,320	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	101	101	-	-
Total Nonoperating Revenues:		7,421	7,421	-	-
Nonoperating Expenditures					
580, 596 & 599	Other Financing Uses	3,620	3,620	-	-
591-593	Debt Service	-	-	-	-
594-595	Capital Expenditures	210,514	210,514	-	-
597	Transfers-Out	-	-	-	-
Total Nonoperating Expenditures:		214,134	214,134	-	-
Net Increase (Decrease) in Cash and Investments:		435,838	389,943	44,056	1,839
Ending Cash and Investments					
5081000	Reserved	2,657,995	502,395	221,018	1,934,582
5088000	Unreserved	2,237,710	2,237,710	-	-
Total Ending Cash and Investments		4,895,705	2,740,105	221,018	1,934,582

The accompanying notes are an integral part of this statement.

Mid-Columbia Library
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

		Total for All Funds (Memo Only)	601 Perry Trust	602 Bartlett Trust
308	Beginning Cash and Investments	18,043	13,043	5,000
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	84	61	23
380-390	Other Increases and Financing Sources	-	-	-
510-570	Expenditures	-	-	-
580-590	Other Decreases and Financing Uses	84	61	23
	Net Increase (Decrease) in Cash and Investments:	-	-	-
508	Ending Cash and Investments	18,043	13,043	5,000

The accompanying notes are an integral part of this statement.

Mid-Columbia Library
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2015

		Total for All Funds (Memo Only)	601 Perry Trust	602 Bartlett Trust
308	Beginning Cash and Investments	18,043	13,043	5,000
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	86	62	24
380-390	Other Increases and Financing Sources	-	-	-
510-570	Expenditures	-	-	-
580-590	Other Decreases and Financing Uses	86	62	24
	Net Increase (Decrease) in Cash and Investments:	-	-	-
508	Ending Cash and Investments	18,043	13,043	5,000

The accompanying notes are an integral part of this statement.

Mid-Columbia Library
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2014

		Total for All Funds (Memo Only)	601 Perry Trust	602 Bartlett Trust
308	Beginning Cash and Investments	18,043	13,043	5,000
388 & 588	Prior Period Adjustments, Net	-	-	-
310-360	Revenues	101	73	28
380-390	Other Increases and Financing Sources	-	-	-
510-570	Expenditures	-	-	-
580-590	Other Decreases and Financing Uses	101	73	28
	Net Increase (Decrease) in Cash and Investments:	-	-	-
508	Ending Cash and Investments	18,043	13,043	5,000

The accompanying notes are an integral part of this statement.

Mid-Columbia Libraries
Notes to the Financial Statements
For the year ended December 31, 2016

Note 1 - Summary of Significant Accounting Policies

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 local government and provides library services.

Mid-Columbia Libraries 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.

Special Revenue Funds

These funds account for specific revenue sources that are restricted or committed to expenditures for specified purposes of the government.

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

C. Budgets

Mid-Columbia Libraries adopts annual appropriated budgets for all 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:			
Administration Department	\$ 687,729	\$ 669,180	\$ 18,549
Public Services Departmen	\$ 3,301,376	\$ 3,234,354	\$ 67,022
Organization of Materials Depart.	\$ 2,190,599	\$ 2,152,127	\$ 38,472
Information Technology Depart.	\$ 672,908	\$ 661,775	\$ 11,133
Outreach Department	\$ 92,844	\$ 85,644	\$ 7,200
Training Department	\$ 40,363	\$ 38,240	\$ 2,123
Facilities Department	\$ 190,563	\$ 163,016	\$ 27,547
Capital Department	\$ 417,414	\$ 384,893	\$ 32,521
Total General Fund	\$ 7,593,796	\$ 7,379,229	\$ 214,567
Stroh Fund	\$ 75,000	\$ 0	\$ 75,000
Library Capital Improvement Fund	\$ 200,000	\$ 0	\$ 200,000

Budgeted amounts are authorized to be transferred between 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 the district's legislative body.

D. Cash and Investments

See Note 2, *Deposits and Investments*.

E. 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. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 30 days for union employees and up to 40 days for exempt non-union employees. Vacation is payable upon separation or retirement. MCL's estimated liability for vacation leave termination benefits on December 31, 2016 was \$177,241.84. Payments are recognized as expenditures when paid.

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, 2016 was \$29,368.45. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Risk Management

MCL purchases property, liability, auto, umbrella liability, and director's & officer's liability insurance from JMS Insurance. MCL uses third party UC Assure to manage its unemployment insurance with UC Assure paying the unemployment premiums to Washington State Department of Labor and Industries. MCL provides its employees with healthcare coverage through Washington State Employee Healthcare Authority. MCL does not self-insure for any liability coverage.

I. 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 external parties or due to internal commitments established by Franklin County and the MCL Board of Directors. When expenditures that meet restrictions are incurred, MCL intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of Accounts Payable and Payroll imprest checking accounts in the amount of \$496,072 at year end for the General Fund, the amount for Investments in other funds is \$1,988,973.

Note 2 – Deposits and Investments

It is MCL'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/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by the Franklin County or its agent in the government's name.

Investments are reported at original cost. Investments by type at December 31, 2016 are as follows:

<u>Type of Investment</u>	MCL's own investments	Investments held by Franklin County as an agent for other local governments, individuals or private organizations.	Total
L.G.I.P.	\$ 0	\$ 3,611,063	\$ 3,611,063
Total	\$ 0	\$ 3,611,063	\$ 3,611,063

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 (at/after) the end of each month.

Property tax revenues are recognized when cash is received by Franklin County Treasurer. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

MCL's regular levy for the year 2016 was \$0.37216723 per \$1,000 on an assessed valuation of \$12,090,258,382 for a total regular levy of \$4,499,598.

Note 4 – Debt Service Requirements

Debt Service

The accompanying Schedule of 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, 2015.

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>
2016 Pension Liabilities	\$2,899,342	\$2,899,342
2016 Compensated Absences	<u>206,610</u>	<u>206,610</u>
TOTALS	<u>\$3,105,952</u>	<u>\$3,105,952</u>

Note 5 – Pension Plans

A. State Sponsored Pension Plans

Substantially all Mid-Columbia Libraries 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 PERS 1, 2 and 3.

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.

At June 30, 2016 (the measurement date of the plans), the district's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Allocation %	Liability (Asset)
PERS 1	0.024543%	\$1,318,075
PERS 2/3	0.031406%	\$1,581,267

Note 6 – Pension Plans

A prior period adjustment of \$8,082 was made to starting reserved cash in the General Fund to reflect actual cash amounts in the two imprest accounts.

Mid-Columbia Libraries

Notes to the Financial Statements

For the year ended December 31, 2015

Note 1 - Summary of Significant Accounting Policies

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. 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 Libraries 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 Mid-Columbia Library are reported in individual funds. Each fund uses 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. Each fund is reported as a separate column in the financial statements. 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 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, Mid-Columbia Libraries also recognizes expenditures paid during 30 days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

Mid-Columbia Libraries adopts annual appropriated budgets for all 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:			
Administration Department	\$ 669,365	\$ 614,662	\$ 54,703
Public Services Department	\$ 3,380,277	\$ 3,292,807	\$ 87,470
Organization of Materials Depart.	\$ 2,118,391	\$ 2,086,490	\$ 31,901
Information Technology Depart.	\$ 523,879	\$ 501,022	\$ 22,857
Outreach Department	\$ 110,053	\$ 96,265	\$ 13,788
Training Department	\$ 66,791	\$ 58,483	\$ 8,308
Facilities Department	\$ 213,697	\$ 168,911	\$ 44,786
Capital Department	\$ 712,666	\$ 709,273	\$ 3,393
Total General Fund	\$ 7,795,121	\$ 7,527,913	\$ 267,208
Stroh Fund	\$ 0	\$ 0	\$ 0
Library Capital Improvement Fund	\$ 550,000	\$ 200,000	\$ 350,000

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 the Mid-Columbia Libraries 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 \$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.

F. 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, 2015 was \$151,757.48. Payments are recognized as expenditures when paid.

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, 2015 was \$25,359.40. Payments are recognized as expenditures when paid.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The government's *Other Financing Sources or Uses* consist of \$3,790 paid to Washington State for sales tax on printing services.

I. Risk Management

MCL purchases property, liability, auto, umbrella liability, and director's & officer's liability insurance from JMS Insurance. MCL uses third party UC Assure to manage its unemployment insurance with UC Assure paying the unemployment premiums to Washington State Department of Labor and Industries. MCL provides its employees with healthcare coverage through Washington State Employee Healthcare Authority. MCL does not self-insure for any liability coverage.

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 external parties or due to internal commitments established by Franklin County and the MCL Board of Directors. When expenditures that meet restrictions are incurred, MCL intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of Accounts Payable and Payroll imprest checking accounts in the amount of \$502,395 at year end. The Accounts Payable account was established with a balance of \$200,000 and the Payroll account was established with a balance of \$400,000.

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 after the end of each month.

Property tax revenues are recognized when cash is received by the Franklin County Treasurer. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

MCL's regular levy for the year 2015 was \$0.37281980 per \$1,000 on an assessed valuation of \$11,508,359,413 for a total regular levy of \$4,375,738.26.

Note 3 - Deposits and Investments

It is MCL'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/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by Franklin County as its agent in MCL's name.

Investments are reported at original cost. Investments by type at December 31, 2015 are as follows:

<u>Type of Investment</u>	Investments held by Franklin County as an <u>Agent for MCL</u>	<u>Total</u>
L.G.I.P.	\$ <u>3,740,483</u>	\$ <u>3,740,483</u>
Total	\$ <u>3,740,483</u>	\$ <u>3,740,483</u>

Note 4 – Debt Service Requirements

The accompanying Schedule of 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, 2015.

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>
2015 Pension Liabilities	\$1,174,822	\$1,174,822
2015 Compensated Absences	<u>177,117</u>	<u>177,117</u>
TOTALS	<u>\$1,351,939</u>	<u>\$1,351,939</u>

Note 5- Pension Plans

A. State Sponsored Pension Plans

Substantially all Mid-Columbia Libraries full-time and qualifying part-time 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: PERS 1, 2 and 3.

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
PO Box 48380
Olympia, WA 98504-8380

Also, the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

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

	<u>Allocation %</u>	<u>Liability (Asset)</u>
PERS 1	0.000860%	\$ 44,986
PERS 2/3	0.031621%	\$1,129,836

Mid-Columbia Libraries

Notes to the Financial Statements

For the Year Ended December 31, 2014

Note 1 - Summary of Significant Accounting Policies

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

Mid-Columbia Libraries 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 MCL 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 MCL'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 (Current Expense) Fund

This fund is the primary operating fund of the 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 MCL.

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 MCL or its citizenry.

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 Mid-Columbia Libraries reports also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Budgets

MCL adopts annual appropriated budgets for all 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	\$ 617,148	\$ 596,915	\$ 20,233
Public Services	\$3,557,549	\$3,445,768	\$ 111,781
Organization of Materials	\$1,846,213	\$1,814,664	\$ 31,549
Information Technology	\$ 529,740	\$ 474,698	\$ 55,042
Bookmobile	\$ 102,733	\$ 96,145	\$ 6,588
Training	\$ 66,600	\$ 68,344	\$ (1,744)
Facilities	\$ 208,680	\$ 148,652	\$ 60,028
Agency Disbursements	\$ 3,700	\$ 3,620	\$ 80
Capital Outlays	\$ 347,974	\$ 210,514	\$ 137,460
Transfers Out	\$ 80,000	\$ 0	\$ 80,000
Total General Fund	\$7,360,337	\$6,859,320	\$ 501,017
Stroh Fund	\$ 0	\$ 0	\$ 0
Library Capital Reserve	\$ 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 MCL'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 \$200 and an estimated useful life in excess of 3 years. Capital assets and inventory are recorded as capital expenditures when purchased.

F. Compensated Absences

Vacation leave may be accumulated up to 30 days and is payable upon separation or retirement. 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.

G. Long-Term Debt

See Note 4, *Debt Service Requirements*.

H. Other Financing Sources or Uses

The government's *Other Financing Sources or Uses* consist of \$3,620 paid to Washington State for sales tax on printing services.

I. Risk Management

MCL purchases property, liability, auto, umbrella liability, and director's & officer's liability insurance from JMS Insurance. MCL uses third party UC Assure to manage its unemployment insurance with UC Assure paying the unemployment premiums to Washington State Department of Labor and Industries. MCL provides its employees with healthcare coverage through Washington State Employee Healthcare Authority. MCL does not self-insure for any liability coverage.

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 external parties or due to internal commitments established by Franklin County and the MCL Board of Directors. When expenditures that meet restrictions are incurred, MCL intends to use reserved resources first before using unreserved amounts.

Reservations of Ending Cash and Investments consist of Accounts Payable and Payroll imprest checking accounts in the amount of \$502,395 at year end. The Accounts Payable account was established with a balance of \$200,000 and the Payroll account was established with a balance of \$400,000.

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 after the end of each month.

Property tax revenues are recognized when cash is received by the Franklin County Treasurer. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied.

MCL's regular levy for the year 2014 was \$0.37746921 per \$1,000 on an assessed valuation of \$11,277,992,964 for a total regular levy of \$4,257,095.52.

Note 3 - Deposits and Investments

It is MCL'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/or the Washington Public Deposit Protection Commission. All investments are insured, registered or held by Franklin County as its agent in MCL's name.

Investments are reported at original cost. Investments by type at December 31, 2014 are as follows:

<u>Type of Investment</u>	<u>Investments held by Franklin County as an Agent for MCL</u>	<u>Total</u>
L.G.I.P.	\$ <u>4,073,861</u>	\$ <u>4,073,861</u>
Total	\$ <u>4,073,861</u>	\$ <u>4,073,861</u>

Note 4 – Debt Service Requirements

The accompanying Schedule of 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, 2014.

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>
2014	<u>\$146,489</u>	<u>\$146,489</u>
TOTALS	<u>\$146,489</u>	<u>\$146,489</u>

Note 5- Pension Plans

Substantially all Mid-Columbia Libraries full-time and qualifying part-time employees participate PERS 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 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

**Mid-Columbia Library
Schedule of Liabilities
For the Year Ended December 31, 2016**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.98	Compensated Absences	12/31/2017	177,117	29,493	-	206,610
263.98	Pension Liabilities	12/31/2017	1,174,822	1,720,920	-	2,895,742
Total General Obligation Debt/Liabilities:			1,351,939	1,750,413	-	3,102,352
Total Liabilities:			1,351,939	1,750,413	-	3,102,352

**Mid-Columbia Library
Schedule of Liabilities
For the Year Ended December 31, 2015**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		146,489	30,628	-	177,117
264.30	Pensions Liabilities	12/31/2016	-	1,174,822	-	1,174,822
	Total Revenue and Other (non G.O.) Debt/Liabilities:		146,489	1,205,450	-	1,351,939
	Total Liabilities:		146,489	1,205,450	-	1,351,939

**Mid-Columbia Library
Schedule of Liabilities
For the Year Ended December 31, 2014**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
259.11	Compensated Absences	12/31/2015	155,602	-	9,113	146,489
	Total General Obligation Debt/Liabilities:		155,602	-	9,113	146,489
	Total Liabilities:		155,602	-	9,113	146,489

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	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov