



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Fort Vancouver Regional Library
District

Clark County

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

Published December 11, 2017

Report No. 1020360





Office of the Washington State Auditor
Pat McCarthy

December 11, 2017

Board of Trustees
Fort Vancouver Regional Library District
Vancouver, Washington

Report on Financial Statements

Please find attached our report on the Fort Vancouver Regional Library District'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

TABLE OF CONTENTS

Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards	4
Independent Auditor's Report On Financial Statements	7
Financial Section.....	10
About The State Auditor's Office.....	19

**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**

**Fort Vancouver Regional Library District
Clark County
January 1, 2016 through December 31, 2016**

Board of Trustees
Fort Vancouver Regional Library District
Vancouver, 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 Fort Vancouver Regional Library District, Clark County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated November 29, 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 audit 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, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

November 29, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Fort Vancouver Regional Library District Clark County January 1, 2016 through December 31, 2016

Board of Trustees
Fort Vancouver Regional Library District
Vancouver, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Fort Vancouver Regional Library District, Clark County, Washington, for the year ended December 31, 2016, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Fort Vancouver Regional Library District 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 Fort Vancouver Regional Library District, for the year ended December 31, 2016, 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 Fort Vancouver Regional Library District, as of December 31, 2016, or the changes in financial position or cash flows for the year 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 audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is 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 29, 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.



Pat McCarthy

State Auditor

Olympia, WA

November 29, 2017

FINANCIAL SECTION

**Fort Vancouver Regional Library District
Clark County
January 1, 2016 through December 31, 2016**

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2016
Notes to Financial Statements – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2016

Fort Vancouver Regional Library District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2016

Beginning Cash and Investments

30810	Reserved	-
30880	Unreserved	16,787,291
388 / 588	Prior Period Adjustments, Net	-

Revenues

310	Taxes	21,946,147
320	Licenses and Permits	-
330	Intergovernmental Revenues	408,954
340	Charges for Goods and Services	316,969
350	Fines and Penalties	30,003
360	Miscellaneous Revenues	433,923
Total Revenues:		23,135,996

Expenditures

570	Culture and Recreation	22,024,798
Total Expenditures:		22,024,798
Excess (Deficiency) Revenues over Expenditures:		1,111,198

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	-
386 / 389	Custodial Activities	-
381, 395, 398	Other Resources	427,844
Total Other Increases in Fund Resources:		427,844

Other Decreases in Fund Resources

594-595	Capital Expenditures	809,911
591-593, 599	Debt Service	-
597	Transfers-Out	-
585	Special or Extraordinary Items	-
586 / 589	Custodial Activities	-
Total Other Decreases in Fund Resources:		809,911

Increase (Decrease) in Cash and Investments: 729,131

Ending Cash and Investments

5081000	Reserved	-
5088000	Unreserved	17,516,422
Total Ending Cash and Investments		17,516,422

The accompanying notes are an integral part of this statement.

FORT VANCOUVER REGIONAL LIBRARY DISTRICT

Notes to Financial Statements For the year ended December 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fort Vancouver Regional Library District is a special purpose government that provides library services to the general public and is supported primarily through property taxes. The District was founded in 1950 and operates under the provisions of RCW 27.12, the laws of the state of Washington applicable to a library district. The District uses single-entry, cash basis accounting which is a departure from generally accepted accounting principles (GAAP).

The District 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

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

Governmental Fund Type

General Fund: This fund is the primary operating fund of the District. It accounts for the financial resources of the District except those required or elected to be accounted for in another fund.

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.

FORT VANCOUVER REGIONAL LIBRARY DISTRICT
Notes to Financial Statements
For the year ended December 31, 2016

C. Budget

The Fort Vancouver Regional Library District Board of Trustees adopts an annual appropriated budget for the General Fund. 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. The annual appropriated budget is adopted on the same basis of accounting as used for financial reporting.

The appropriated and actual expenditures for the legally adopted budget is as follows:

2016

	Final Appropriated	Actual	
Fund	Amount	Expenditures	Variance
General	\$ 24,933,947	\$ 22,834,709	\$ 2,099,238

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 Fort Vancouver Regional Library District's Board of Trustees (the District's legislative body).

D. Cash

It is the District's policy to invest all temporary cash surpluses. The amount is included on the statement of resources and uses arising from cash transactions as net cash and investments. See Note 2, *Deposits and Investments* for detailed year-end information and data.

E. Collection Materials

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

F. Capital Assets

Capital assets are assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of 3 years. Capital assets are long-lived assets of the District and are recorded as expenditures when purchased.

G. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. Payments are recognized as expenditures when paid. The liability is reflected on Schedule 09, the schedule of long-term liabilities.

FORT VANCOUVER REGIONAL LIBRARY DISTRICT
Notes to Financial Statements
For the year ended December 31, 2016

The District's estimated liability for vacation pay benefits on December 31, 2016 is \$673,026.

Sick leave may accumulate indefinitely. Upon separation or retirement, employees do not receive payment for unused sick leave.

H. Other Financing Sources or Uses

The District's other sources consist of revenue received from sales of assets.

I. Risk Management

The District purchases insurance from commercial carriers to protect itself against general liability, employee dishonesty and automobile and property damages. The insurance is purchased through Biggs Insurance Services.

The District has had no settlements that exceeded insurance coverage for the past three years.

The District participates in the State of Washington Labor and Industries worker's compensation insurance program, however, management has elected to become self-insured through the Washington State Employment Security Department on a reimbursement basis. Unemployment claims are processed by the Washington State Employment Security Department. No reserve for self-insurance has been established as the potential liability is not considered to be material to the financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

The District's deposits are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission as utilized by the Clark County Treasurer's Office.

Fort Vancouver Regional Library District's investments are held by Clark County as its agent in the District's name. The District's cash is invested by the Clark County Treasurer's Office in the Clark County Local Government Investment Pool.

FORT VANCOUVER REGIONAL LIBRARY DISTRICT
Notes to Financial Statements
For the year ended December 31, 2016

	<u>12/31/2016</u>
Cash on hand	\$ 1,877
Cash held by Clark County *	<u>600,360</u>
Subtotal – Cash	<u>602,237</u>
 FVRL Investment	 <u>17,495,533</u>
Subtotal – Clark County Investment Pool	<u>17,495,533</u>
Total Cash & Investments	\$ <u><u>18,097,770</u></u>

*\$600,053 held to pay warrants outstanding at 12/31/2016.

*\$18,705 held for property tax revenue received on 12/30/2016.

NOTE 3 – PENSION PLANS

Substantially all District 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 contribution retirement plans, PERS 1 and PERS 2/3.

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, 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:

Plan	Allocation %	Liability (Asset)
Pers 1	0.004570%	4,270,491
Pers 2/3	0.098240%	4,901,697

NOTE 4 – PROPERTY TAX

The county treasurer acts as an agent to collect property tax levied in the county for all taxing

FORT VANCOUVER REGIONAL LIBRARY DISTRICT
Notes to Financial Statements
For the year ended December 31, 2016

authorities. Collections are distributed (at/after) the end of each month.

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

Fort Vancouver Regional Library District's regular levy for the year 2016 was \$.4480 per \$1,000 as follows:

<u>County</u>	<u>Assessed Valuation</u>	<u>Levy</u>
Clark	\$ 43,305,085,693 \$	19,400,063
Skamania	1,440,624,433	645,378
Klickitat	3,478,943,186	1,558,517
Cowlitz	620,729,032	278,077
	\$ <u>48,845,382,344</u> \$	<u>21,882,035</u>

NOTE 5 – Library Capital Facility Areas

Fort Vancouver Regional Library District serves as fiscal agent for Vancouver Library Capital Facility Area and Three Creeks Library Capital Facility Area.

In 1995, The Washington Legislature adopted legislation, codified as Chapter 27.15 RCW, permitting the creation of library capital facility areas (LCFA) for the purpose of financing the construction of library capital facilities (libraries). An LCFA is formed when a library district and a city or town request a county legislative authority to both establish a library capital facility area and submit a ballot proposition to create an LCFA. Once formed, an LCFA may issue general obligation bonds with a super majority (60%) approval of voters in the LCFA and then construct a library capital facility including the building, equipment, collection and other items needed to operate a library with the LCFA.

The District has entered into two such library capital facility areas with Clark County. The Library Capital Facility Areas are independent taxing districts that are separate from the County, the Library District and the City. The District has been designated by interlocal agreements with Clark County to perform specific functions relative to the Capital Facility Areas and serve as administrator of them. The Library District, with assistance from the County Treasurer, is responsible for selecting the underwriter, bond counsel and other consultants necessary for issuance of the Bonds.

The books, records and financial statements of the Vancouver Library Capital Facility Area and Three Creeks Library Capital Facility Area are available at FVRL's District Headquarters located at 1007 E. Mill Plain Blvd, Vancouver, WA 98663.

The Three Creeks Library Capital Facility exists to collect delinquent taxes. The bonds have been paid off and ownership of the Three Creeks Community Library facility is by Fort Vancouver Regional Library District.

FORT VANCOUVER REGIONAL LIBRARY DISTRICT
Notes to Financial Statements
For the year ended December 31, 2016

NOTE 6 – Yale Valley Library District

Fort Vancouver Regional Library District serves as fiscal agent for Yale Valley Library District. In May 2003, citizens in the Yale precinct successfully voted to form a partial-county, rural library district. Yale Valley Library District contracts with Fort Vancouver Regional Library District for services. Citizens who reside in the Yale precinct, northeast of Woodland in Cowlitz County are eligible for a Fort Vancouver Regional Library District library card, access to the library catalog, use of Yale Library Express on Wednesdays from 2:30–4:00, or any of FVRL’s 14 other locations, including full-service nearby libraries at Battle Ground, Woodland and La Center, toll-free phone calls to FVRL’s telephone information services and ask a librarian assistance via web form, live chat or text message.

NOTE 7 – Fort Vancouver Regional Library Foundation

The Fort Vancouver Regional Library Foundation is designed to provide assistance and aid in the development, maintenance and promotion of growth and preservation of the Fort Vancouver Regional Library District. Fort Vancouver Regional Library District and the Fort Vancouver Regional Library Foundation have a current agreement entered into on August 21, 2015. The articles of incorporation and the bylaws of the foundation specifically limit the activities of the foundation to projects that support Fort Vancouver Regional Library District. The relationship between the foundation and the library is contractual. The foundation has agreed to solicit and manage donations on behalf of the library in return for administrative support. The Foundation supports programs which complement, but do not supplant, tax-based funding for FVRL.

**Fort Vancouver Regional Library District
Schedule of Liabilities
For the Year Ended December 31, 2016**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated absences		692,647	-	19,621	673,026
264.30	Net Pension Liability		7,727,295	1,444,893	-	9,172,188
Total Revenue and Other (non G.O.) Debt/Liabilities:			8,419,942	1,444,893	19,621	9,845,214
Total Liabilities:			8,419,942	1,444,893	19,621	9,845,214

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