



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

**Financial Statements Audit Report**  
**Yakima County Rural Library District**  
**(Yakima Valley Libraries)**

**For the period January 1, 2015 through December 31, 2016**

**Published February 20, 2018**

**Report No. 1020813**





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

February 20, 2018

Board of Trustees  
Yakima Valley Libraries  
Yakima, Washington

**Report on Financial Statements**

Please find attached our report on the Yakima Valley Libraries' 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**

**Yakima Valley Libraries  
Yakima County  
January 1, 2015 through December 31, 2016**

Board of Trustees  
Yakima Valley Libraries  
Yakima, 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 Yakima Valley Libraries, Yakima County, Washington, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated February 13, 2018.

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, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

February 13, 2018

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Yakima Valley Libraries Yakima County January 1, 2015 through December 31, 2016**

Board of Trustees  
Yakima Valley Libraries  
Yakima, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Yakima Valley Libraries, Yakima County, Washington, for the years ended December 31, 2016 and 2015, 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 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 Yakima Valley Libraries 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 Yakima Valley Libraries, for the years ended December 31, 2016 and 2015, 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 Yakima Valley Libraries, as of December 31, 2016 and 2015, 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 February 13, 2018 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

February 13, 2018

## **FINANCIAL SECTION**

**Yakima Valley Libraries  
Yakima County  
January 1, 2015 through December 31, 2016**

### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2016  
Fund Resources and Uses Arising from Cash Transactions – 2015  
Notes to Financial Statements – 2016  
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### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2016  
Schedule of Liabilities – 2015

**Yakima County Rural Library District**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2016**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General</b>	<b>103 PLATH TRUST FUND</b>	<b>302 W. VALLEY COMM LIBR BLDG FUND</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	7,133,130	6,241,720	93,706	797,705
30880	Unreserved	-	-	-	-
388 / 588	Prior Period Adjustments, Net	-	-	-	-
<b>Revenues</b>					
310	Taxes	6,938,938	6,938,938	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	37,208	37,208	-	-
340	Charges for Goods and Services	110,228	110,228	-	-
350	Fines and Penalties	74,819	74,819	-	-
360	Miscellaneous Revenues	131,743	111,927	13,280	6,536
Total Revenues:		7,292,936	7,273,120	13,280	6,536
<b>Expenditures</b>					
570	Culture and Recreation	6,521,673	6,504,897	16,776	-
Total Expenditures:		6,521,673	6,504,897	16,776	-
Excess (Deficiency) Revenues over Expenditures:		771,263	768,223	(3,496)	6,536
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
385	Special or Extraordinary Items	-	-	-	-
386 / 389	Custodial Activities	-	-	-	-
381, 395, 398	Other Resources	(41)	(41)	-	-
Total Other Increases in Fund Resources:		(41)	(41)	-	-
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	113,233	113,233	-	-
591-593, 599	Debt Service	356,796	356,796	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
586 / 589	Custodial Activities	-	-	-	-
Total Other Decreases in Fund Resources:		470,030	470,030	-	-
<b>Increase (Decrease) in Cash and Investments:</b>		<b>301,192</b>	<b>298,152</b>	<b>(3,496)</b>	<b>6,536</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	7,434,322	6,539,872	90,210	804,240
5088000	Unreserved	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>7,434,322</b>	<b>6,539,872</b>	<b>90,210</b>	<b>804,240</b>

The accompanying notes are an integral part of this statement.

**Yakima County Rural Library District**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2015**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General</b>	<b>103 PLATH TRUST FUND</b>	<b>302 W. VALLEY COMM LIBR BLDG FUND</b>
<b>Beginning Cash and Investments</b>					
30810	Reserved	7,619,314	6,728,038	99,092	792,184
30880	Unreserved	-	-	-	-
388 & 588	Prior Period Adjustments, Net	1,422	-	1,422	-
<b>Operating Revenues</b>					
310	Taxes	6,797,251	6,797,251	-	-
330	Intergovernmental Revenues	26,224	26,224	-	-
340	Charges for Goods and Services	103,897	103,897	-	-
350	Fines and Penalties	74,429	74,429	-	-
360	Miscellaneous Revenues	132,813	117,206	10,086	5,520
Total Operating Revenues:		7,134,612	7,119,006	10,086	5,520
<b>Operating Expenditures</b>					
570	Culture and Recreation	6,087,545	6,070,650	16,894	-
Total Operating Expenditures:		6,087,545	6,070,650	16,894	-
Net Operating Increase (Decrease):		1,047,067	1,048,356	(6,808)	5,520
<b>Nonoperating Revenues</b>					
370-380, 395 & 398	Other Financing Sources	-	-	-	-
391-393	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	-
Total Nonoperating Revenues:		-	-	-	-
<b>Nonoperating Expenditures</b>					
580, 596 & 599	Other Financing Uses	-	-	-	-
591-593	Debt Service	353,394	353,394	-	-
594-595	Capital Expenditures	1,181,280	1,181,280	-	-
597	Transfers-Out	-	-	-	-
Total Nonoperating Expenditures:		1,534,674	1,534,674	-	-
<b>Net Increase (Decrease) in Cash and Investments:</b>		<b>(487,607)</b>	<b>(486,318)</b>	<b>(6,808)</b>	<b>5,520</b>
<b>Ending Cash and Investments</b>					
5081000	Reserved	7,133,130	6,241,720	93,706	797,705
5088000	Unreserved	-	-	-	-
<b>Total Ending Cash and Investments</b>		<b>7,133,130</b>	<b>6,241,720</b>	<b>93,706</b>	<b>797,705</b>

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

**Yakima County Rural Library District  
(Yakima Valley Libraries)**

*Notes to Financial Statements*

January 1, 2016 through December 31, 2016

**NOTE 1 – Summary of Accounting Policies**

The Yakima Rural County Library District is a special purpose government that provides library services to the general public and is supported primarily through property taxes. The Rural County Library District was incorporated in 1944 and operates under Chapter 27.12 RCW, the laws of the state of Washington applicable to a library district.

The Yakima Rural County Library 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 accounts of the 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:

**GOVERNMENT FUND TYPES:**

**General (Current Expense) Fund**

This fund is the primary operating fund of the District. 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 the proceeds of specific revenue source (other than for major capital projects) that are legally restricted to expenditures for specific purposes.

The Library is the beneficiary of two trust funds that earn revenue on behalf of the parties for which the trust was established. The principal of the trusts is not owned by the Library, and is not recorded in the financial statements. The following trust funds are:

Plath Trust

The Library receives an income distribution once a year equal to the minimum of 37.5 percent of the total trust earnings for that year. The Plath Trust funds are to be used for the benefit of employees toward career advancement and learning in the field of library sciences and services. The fund equity represents the excess of annual distributions and earnings over expenditures. The principal of the trust is held by an outside trustee. In the event that the trust must be discontinued, any amounts remaining are to be divided proportionately among the beneficiaries. In 2016 the Library received a \$12,616.88 distribution. There were disbursements in the amount of \$16,776.07 from this fund in 2016. The ending balance of the Plath Fund at December 31, 2016 including interest was \$90,209.76. The Plath Fund is maintained as a separate fund account with the Yakima County Treasurer's Office.

Boaz Fund

The library receives an income distribution each year from the Boaz. The Boaz Trust was established in 1973 by Dorothy Gilbert Boaz. The said fund is to be used for the purchase of new books in accordance with the directions of its board of trustees or other appropriate governing body. The library received \$10,305.00 in 2016 toward the purchase of materials. A cumulative total of \$53,283.84 is reserved in the ending cash balance as of December 31, 2016. The Boaz Funds reside within the general fund.

Capital Project Fund

These funds account for financial resources that are designated for the acquisition or construction of general government capital projects.

*West Valley Community Library Building Fund – formerly the Cumulative Reserve Fund* – This fund was established in 1959 at the Yakima Library District when the Yakima City Treasurer transferred all Reserve Funds of the library to the Yakima County Treasurer. In 1975 the Library Board of Trustees passed a motion that the funds of this account be used for acquisition of materials, land, or capital improvements. In 2010 the Library Board of Trustees renamed the fund for the building of a new library in West Valley.

**B. Basis of Accounting**

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

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

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

C. Cash

It is the District's policy to invest all temporary cash surpluses. The amount is included on the fund statement of resources and uses arising from cash transactions as cash and investments. See Note 4 Investments.

D. Deposits

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

E. Collection Materials

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

F. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. The capital assets of the District are recorded as expenditures when purchased.

G. Compensated Absences

Vacation pay may be accumulated up to 30 days (240 hours) and is payable upon separation or retirement if the employee is in good standing and has provided two weeks notice at time of termination. Vacation is not payable to employees who terminate prior to completion of the six-month trial period. An employee who is terminated for cause is not eligible for payment for any accrued vacation leave – YVL Personnel Policies Chapter 9.

Sick leave may be accumulated up to 960 hours for full time employees hired prior to 1/1/2015 and 480 hours for full time employees hired on or after that date (revised Personnel Policy adopted on November 10, 2014 per Resolution #14-009). Upon retirement at any age, employees receive payment for one-quarter, not to exceed a maximum payment for 240 hours (or 30 days), of unused sick leave for full time employees hired prior to 1/1/2015 and 120 hours (or 15 days) of unused sick leave, for full time employees hired on or after that.

Once per year, any employee eligible to earn sick leave may convert sick leave earned and accrued to vacation leave at the ratio of four hours of sick leave to one hour of vacation to a maximum of 64 hours of sick leave per calendar year. The employee must maintain a minimum balance of 96 sick leave hours at the time of the conversion and may not have used more than twenty-four sick leave hours during the previous twelve months.

H. Reserved Portion of Ending Cash and Investments

General Fund Reserved Balances

*Capital Funds*

Future and Non-completed Projects – Resolution #06-013                      \$ 433,255

*Facility Fund*

Future district-wide facility needs – Resolution #06-013                      \$ 264,698

*Technology Fund*

Future district-wide technology needs – Resolution #06-013                      \$ 689,544

*Boaz Fund*

Trust Fund restricted by donor (Dorothy Gilbert Boaz) 1973	\$ 53,284
YCL Reserve Building Maintenance	
Roof – Resolution #16-004	\$ 300,000
Strategic Plan Implementation – Resolution #16-004	\$ 100,000
Fleet Replacement – Resolution #16-009	
Two New Vehicles	\$ 100,000
Operating Cash – Revolving Funds Reserve –	<u>\$4,599,091</u>

**Other Funds Reserved Balances**

Plath Fund	
Trust Fund restricted by donor (Dolores Plath)	\$ 90,210
West Valley Fund	
Yakima buildings and remodel projects	<u>\$ 804,240</u>
Resolutions #10-001, #10-005, #10-008, #10-011	

**NOTE 2 - Budgets**

The District adopts annual appropriated budgets for the General Fund. These budgets are 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 001 - General Fund	Final Appropriated Amounts	Actual Expenditures	Variance \$
Salary and Wages	3,564,592	3,126,794	437,798
Benefits	1,326,976	1,229,814	97,162
Supplies and Small Equipment	238,520	167,882	70,638
Collection Materials	1,175,863	1,112,614	63,249
Professional Services	303,416	293,208	10,208
Communications	171,276	143,441	27,835
Travel & Training & Mileage	70,972	29,861	41,111
Vehicle Expenses	16,960	13,766	3,194
Advertising	9,800	8,755	1,045
Rentals - Equipment	6,120	4,688	1,432
Building Leases	8,401	8,401	0
Insurance	43,000	42,675	325
Utilities	132,340	108,095	24,245
Repairs & Maintenance	211,584	190,743	20,841
Misc. and Dues	23,971	10,653	13,318
Intergovernmental Services	11,500	7,086	4,414
Grants - Special Projects	3,000	6,422	(3,422)



<b>Subtotal</b>	<b>7,318,291</b>	<b>6,504,898</b>	<b>813,393</b>
Capital Projects	638,575	113,233	525,342
Debt Service	356,796	356,796	0
<b>Total for General Fund</b>	<b>8,313,662</b>	<b>6,974,927</b>	<b>1,338,735</b>

**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 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.

The district's regular levy for the year 2016 was .474555968628 per \$1,000 on an assessed valuation of \$14,676,408,665 for a total regular levy of \$6,964,777.33.

**NOTE 4 - Investments**

The District's investments are held by the Yakima County Treasurer as its agent in the District's name. Investments by type at December 31, 2016 were as follows:

<u>Fund Name</u>	<u>Activity</u>	<u>Type of Investment</u>	<u>Balance</u>
General Fund 606001	TIP	Investment Pool	\$5,100,398
West Valley Community Library 606002	TIP	Investment Pool	802,080
Plath Trust Fund 606003	TIP	Investment Pool	89,500
Capital Carry Forward Fund 606004	TIP	Investment Pool	431,600
Facility Fund 606005	TIP	Investment Pool	263,300
Technology Fund 606006	TIP	Investment Pool	687,520
Total of all Investments			<u><u>\$7,374,398</u></u>

**NOTE 5 - Debt Service Requirements**

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the district and summarizes the district's debt transitions for the year ended December 31, 2016. Final principal and interest payment on the Libraries GO Debt was made on December 31, 2016

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

<u>Year</u>	<u>General Obligation Debt</u>	<u>Interest on GO Debt</u>	<u>Total Debt</u>
<i>Ending Balance 12/31/16</i>			\$0

**NOTE 6 - Pension Plans**

Substantially all of the District's full-time and qualifying part time employees participate in the PERS 1, PERS 2, or PERS 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 District's financial statements. Contributions to the systems by both employee and employer are based on gross wages covered by plan benefits.

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

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

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

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

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	146,631	.025856%	\$1,388,589
PERS 2/3	174,268	.030187%	\$1,519,892

#### **NOTE 7 – Other Disclosures**

##### **A. CONTRACTING CITIES**

The Library District has five non-annexed cities within Yakima County that contract for some type of library services: Granger, Mabton, Naches, Union Gap, and Tieton. These contracts date back to 1985 and have been automatically renewed based on a formula within the contract. As a result, most of the contracting cities pay less than the current levy rate that the remainder of the district pays. The District has agreements with many of the cities, towns, and associations to offset utility and maintenance costs on non-district owned buildings.

##### **B. OPERATING RESERVE FUNDS**

The highest percentage of property tax revenues are received in April and October of each fiscal year. The Library District retains approximately a 4 month operating reserve of \$2,633,839 as approved in the annual budget process to cover cash flow for accounts payable and payroll and benefit costs.

##### **C. FACILITY RENOVATION – SUNNYSIDE COMMUNITY LIBRARY**

The District began remodeling the Sunnyside Library in 2015. The grand opening was held November 2015. Final finishes were completed in early 2016. Capital Funds were budgeted within the General Fund for the 2015 budget to update this building, which was built in the early 1960's. Construction costs are \$440,150 plus adopted change orders.

##### **D. WEST VALLEY BOND DEBT**

The final principal and interest payment on the West Valley Bond was made on December 31, 2016. This LTGO bond that was initially issued in 2010 and was used to build the new building for the West Valley Branch of the Yakima Rural County Library District.

##### **2016 BUDGET AMENDMENT – VEHICLE REPLACEMENT**

- E. In October of 2016 the Board of Trustees adopted Resolution #16-009 to move \$100,000 from the General Fund Reserved Cash to 2016 Expenditures to facilitate the purchase of two vehicles to replace two vehicles that had become too expensive to maintain. This increased the General Operating Fund Expense budget from \$8,213,663 to \$8,313,663. The two new vehicles were ordered in late 2016 with expected delivery in early 2017. The two vehicles to be replaced will be sold at surplus in 2017.

**NOTE 8 – Risk Management**

The Yakima Rural County Library District is a special purpose government that provides library services to the general public and is supported primarily through property taxes. The Rural County Library District was incorporated in 1944 and operates 17 libraries throughout Yakima County. The District owns 4 of the buildings, rents facilities from 8 local jurisdictions and contracts with 5 cities (see note 7a) for library services, which include buildings. The District owns and operates 6 District vehicles used in their day to day operations. The District also receives cash and checks at each location for various fines and fees, copies and other services.

The District purchases a commercial insurance policy to handle risks associated with their current operations. The insurance is purchased from The Hartford through Wells Fargo Insurance and payment for this insurance is included as part of the District's annual budget (See Note 2-Budgets).

The Commercial Packages purchased by the District includes;

- Buildings - \$12,055,060
- Business Personal Property - \$16,575,200
- Employee Theft - \$50,000
- Directors and Officers - \$100,000
- Forgery or Alteration - \$50,000
- Special Business Income - \$1,730,000
- Hazardous Substances - \$100,000
- Spoilage - \$100,000
- Expediting Expenses - \$100,000
- Special Collections - \$100,000
- Auto and Unowned Auto

Deductible for this insurance coverage is \$5,000 per occurrence. There were no major claims for 2016.

**Yakima Rural County Library District  
(Yakima Valley Libraries)**

*Notes to Financial Statements*

January 1, 2015 through December 31, 2015

**NOTE 1 – Summary of Accounting Policies**

The Yakima Rural County Library District is a special purpose government that provides library services to the general public and is supported primarily through property taxes. The Rural County Library District was incorporated in 1944 and operates under Chapter 27.12 RCW, the laws of the state of Washington applicable to a library district.

The Yakima Rural County Library 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 accounts of the 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:

**GOVERNMENT FUND TYPES:**

**General (Current Expense) Fund**

This fund is the primary operating fund of the District. 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 the proceeds of specific revenue source (other than for major capital projects) that are legally restricted to expenditures for specific purposes.

The Library is the beneficiary of two trust funds that earn revenue on behalf of the parties for which the trust was established. The principal of the trusts is not owned by the Library, and is not recorded in the financial statements. The following trust funds are:

Plath Trust

The Library receives an income distribution once a year equal to the minimum of 37.5 percent of the total trust earnings for that year. The Plath Trust funds are to be used for the benefit of employees toward career advancement and learning in the field of library sciences and services. The fund equity represents the excess of annual distributions and earnings over expenditures. The principal of the trust is held by an outside trustee. In the event that the trust must be discontinued, any amounts remaining are to be divided proportionately among the beneficiaries. In 2015 the Library received a \$9,478.23 distribution. There were disbursements in the amount of \$16,894.49 from this fund in 2015. The ending balance of the Plath Fund at December 31, 2015 including interest was \$93,705.62. The Plath Fund is maintained as a separate fund account with the Yakima County Treasurer's Office.

Boaz Fund

The library receives an income distribution each year from the Boaz. The Boaz Trust was established in 1973 by Dorothy Gilbert Boaz. The said fund is to be used for the purchase of new books in accordance with the directions of its board of trustees or other appropriate governing body. The library received \$11,470.00 in 2015 toward the purchase of materials. A cumulative total of \$42,978.84 is reserved in the ending cash balance as of December 31, 2015. The Boaz Funds reside within the general fund.

Capital Project Fund

These funds account for financial resources that are designated for the acquisition or construction of general government capital projects.

*West Valley Community Library Building Fund – formerly the Cumulative Reserve Fund* – This fund was established in 1959 at the Yakima Library District when the Yakima City Treasurer transferred all Reserve Funds of the library to the Yakima County Treasurer. In 1975 the Library Board of Trustees passed a motion that the funds of this account be used for acquisition of materials, land, or capital improvements. In 2010 the Library Board of Trustees renamed the fund for the building of a new library in West Valley.

B. Basis of Accounting

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

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

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

C. Cash

It is the District's policy to invest all temporary cash surpluses. The amount is included on the fund statement of resources and uses arising from cash transactions as cash and investments. See Note 4 Investments.

D. Deposits

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

E. Collection Materials

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

F. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. The capital assets of the District are recorded as expenditures when purchased.

G. Compensated Absences

Vacation pay may be accumulated up to 30 days (240 hours) and is payable upon separation or retirement if the employee is in good standing and has provided two weeks notice at time of termination. Vacation is not payable to employees who terminate prior to completion of the six-month trial period. An employee who is terminated for cause is not eligible for payment for any accrued vacation leave – YVL Personnel Policies Chapter 9.

Sick leave may be accumulated up to 960 hours for full time employees hired prior to 1/1/2015 and 480 hours for full time employees hired on or after that date (revised Personnel Policy adopted on November 10, 2014 per Resolution #14-009). Upon retirement at any age, employees receive payment for one-quarter, not to exceed a maximum payment for 240 hours (or 30 days), of unused sick leave for full time employees hired prior to 1/1/2015 and 120 hours (or 15 days) of unused sick leave, for full time employees hired on or after that.

Once per year, any employee eligible to earn sick leave may convert sick leave earned and accrued to vacation leave at the ratio of four hours of sick leave to one hour of vacation to a maximum of 64 hours of sick leave per calendar year. The employee must maintain a minimum balance of 96 sick leave hours at the time of the conversion and may not have used more than twenty-four sick leave hours during the previous twelve months.

H. Reserved Portion of Ending Cash and Investments

General Fund Reserved Balances

*Capital Funds*

Future and Non-completed Projects – Resolution #06-013                      \$ 429,728

*Facility Fund*

Future district-wide facility needs – Resolution #06-013                      \$ 262,549

*Technology Fund*

Future district-wide technology needs – Resolution #06-013                      \$ 683,921

*Boaz Fund*

Trust Fund restricted by donor (Dorothy Gilbert Boaz) 1973	\$ 42,979
West Valley Debt Service	\$ 356,796
Operating Cash – Revolving Funds Reserve –	<u>\$4,465,747</u>
Other Funds Reserved Balances	
Plath Fund	
Trust Fund restricted by donor (Dolores Plath)	\$ 93,706
West Valley Fund	
Yakima buildings and remodel projects	<u>\$ 797,705</u>
Resolutions #10-001, #10-005, #10-008, #10-011	

## **NOTE 2 - Budgets**

The District adopts annual appropriated budgets for the General Fund. These budgets are 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 001 - General Fund	Final Appropriated Amounts	Actual Expenditures	Variance \$
Salary and Wages	3,516,038	2,998,202	517,835
Benefits	1,294,362	1,099,971	194,391
Supplies and Small Equipment	279,625	168,023	111,602
Collection Materials	1,155,600	1,053,336	102,264
Professional Services	255,474	230,006	25,468
Communications	170,364	141,966	28,398
Travel & Training & Mileage	69,660	23,826	45,834
Vehicle Expenses	17,569	11,900	5,669
Advertising	9,500	8,631	869
Rentals - Equipment	8,250	4,295	3,955
Building Leases	14,651	13,401	1,250
Insurance	41,000	42,206	(1,206)
Utilities	131,844	107,238	24,606
Repairs & Maintenance	185,846	145,747	40,099
Misc. and Dues	27,153	11,776	15,377
Intergovernmental Services	11,000	8,602	2,398
Grants - Special Projects	7,000	1,525	5,475
<b>Subtotal</b>	<b>7,194,936</b>	<b>6,070,651</b>	<b>1,124,285</b>
Capital Projects	1,465,898	1,181,280	284,618
Debt Service	353,362	353,394	(32)
<b>Total for General Fund</b>	<b>9,014,196</b>	<b>7,605,325</b>	<b>1,408,871</b>



**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 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.

The district's regular levy for the year 2015 was .47615861 per \$1,000 on an assessed valuation of \$14,270,535,022 for a total regular levy of \$6,795,038.11.

**NOTE 4 - Investments**

The District's investments are held by the Yakima County Treasurer as its agent in the District's name. Investments by type at December 31, 2015 were as follows:

<u>Fund Name</u>	<u>Activity</u>	<u>Type of Investment</u>	<u>Balance</u>
General Fund 606001	TIP	Investment Pool	\$4,732,598
West Valley Community Library 606002	TIP	Investment Pool	781,880
Plath Trust Fund 606003	TIP	Investment Pool	80,900
Capital Carry Forward Fund 606004	TIP	Investment Pool	427,000
Facility Fund 606005	TIP	Investment Pool	260,000
Technology Fund 606006	TIP	Investment Pool	679,520
Total of all Investments			<u><u>\$6,961,898</u></u>

**NOTE 5 - Debt Service Requirements**

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

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

<u>Year</u>	<u>General Obligation Debt</u>	<u>Interest on GO Debt</u>	<u>Total Debt</u>
<i>Ending Balance 12/31/15</i>			\$356,796
2016	\$350,000	\$6,796	(0)

**NOTE 6 - Pension Plans**

Substantially all of the District's full-time and qualifying part time employees participate in the PERS 1, PERS 2, or PERS 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 District's financial statements. Contributions to the systems by both employee and employer are based on gross wages covered by plan benefits.

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

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

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 District proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	121,433	.026421%	\$1,382,064
PERS 2/3	139,864	.031398%	\$1,121,868

#### **NOTE 7 - Other Disclosures**

##### **A. CONTRACTING CITIES**

The Library District has five non-annexed cities within Yakima County that contract for some type of library services: Granger, Mabton, Naches, Union Gap, and Tieton. These contracts date back to 1985 and have been automatically renewed based on a formula within the contract. As a result, most of the contracting cities pay less than the current levy rate that the remainder of the district pays. The District has agreements with many of the cities, towns, and associations to offset utility and maintenance costs on non-district owned buildings.

##### **B. OPERATING RESERVE FUNDS**

The highest percentage of property tax revenues are received in April and October of each fiscal year. The Library District retains approximately a 4 month operating reserve of \$2,087,226 as approved in the annual budget process to cover cash flow for accounts payable and payroll and benefit costs.

##### **C. FACILITY RENOVATION - SUNNYSIDE COMMUNITY LIBRARY**

The District began remodeling the Sunnyside Library in 2015. The grand opening was held November 2015. Final finishes are to be completed in early 2016. Capital Funds were budgeted within the General Fund for the 2015 budget to update this building, which was built in the early 1960's. Construction costs are \$440,150 plus adopted change orders.

##### **D. SELAH LIBRARY BUILDING**

The lease agreement with the City of Selah and Garner Rentals expired in June of 2015. The lease contained an option to purchase the building. The Board formally agreed to exercise the purchase option as reflected in the May 11, 2015 minutes. The motion was unanimously approved by the Board. Capital Funds were budgeted within the General Fund for the 2015 Budget to purchase this building for \$365,000.

##### **E. PLATH FUND PRIOR PERIOD ADJUSTMENT - 3880000**

Plath Fund warrant #57191 was issued to YVL's Bank of America Credit Card on 12/22/14 to pay for San Jose State College 2015 spring quarter tuition. One class was canceled in early 2015 and a Bank of America credit card refund in the amount of \$1,422.00 was received in March of 2015 to the General Fund 01. General Fund warrant #74452 dated March 23, 2015 was issued and deposited into the Plath Fund 03 on March 23, 2015. This prior period adjustment was coded to 03-00-388-00-00-00 per BARS requirements.

**NOTE 8 – Risk Management**

The Yakima Rural County Library District is a special purpose government that provides library services to the general public and is supported primarily through property taxes. The Rural County Library District was incorporated in 1944 and operates 17 libraries throughout Yakima County. The District owns 4 of the buildings, rents facilities from 8 local jurisdictions and contracts with 5 cities (see note 7a) for library services, which include buildings. The District owns and operates 6 District vehicles used in their day to day operations. The District also receives cash and checks at each location for various fines and fees, copies and other services.

The District purchases a commercial insurance policy to handle risks associated with their current operations. The insurance is purchased from The Hartford through Wells Fargo Insurance and payment for this insurance is included as part of the District's annual budget (See Note 2-Budgets).

The Commercial Packages purchased by the District includes;

- Buildings - \$12,055,060
- Business Personal Property - \$16,575,200
- Employee Theft - \$50,000
- Directors and Officers - \$100,000
- Forgery or Alteration - \$50,000
- Special Business Income - \$1,730,000
- Hazardous Substances - \$100,000
- Spoilage - \$100,000
- Expediting Expenses - \$100,000
- Special Collections - \$100,000
- Auto and Unowned Auto

Deductible for this insurance coverage is \$5,000 per occurrence. There were no major claims for 2015.

**Yakima County Rural Library District  
Schedule of Liabilities  
For the Year Ended December 31, 2016**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	General Obligation bond non voted	12/31/2016	350,000	-	350,000	-
<b>Total General Obligation Debt/Liabilities:</b>			<b>350,000</b>	<b>-</b>	<b>350,000</b>	<b>-</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences - Sick		100,363	32,299	26,429	106,234
259.12	Compensated Absences - Vacation		171,257	176,154	171,170	176,241
259.12	Compensated Absences - Shared Leave		5,226	-	-	5,226
264.30	Net Pension Liability		2,503,932	404,549	-	2,908,481
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>2,780,778</b>	<b>613,003</b>	<b>197,599</b>	<b>3,196,181</b>
<b>Total Liabilities:</b>			<b>3,130,778</b>	<b>613,003</b>	<b>547,599</b>	<b>3,196,181</b>

**Yakima County Rural Library District  
Schedule of Liabilities  
For the Year Ended December 31, 2015**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>General Obligation Debt/Liabilities</b>						
251.11	General Obligation bond non voted	12/31/2016	690,000	-	340,000	350,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>690,000</b>	<b>-</b>	<b>340,000</b>	<b>350,000</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences - Sick		100,727	24,532	24,895	100,363
259.12	Compensated Absences - Vacation		164,719	160,186	153,648	171,257
259.12	Compensated Absences - Shared Leave		233	5,873	880	5,226
264.30	Net Pension Liability		-	2,503,932	-	2,503,932
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>265,678</b>	<b>2,694,523</b>	<b>179,423</b>	<b>2,780,778</b>
<b>Total Liabilities:</b>			<b>955,678</b>	<b>2,694,523</b>	<b>519,423</b>	<b>3,130,778</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>