



Office of the Washington State Auditor  
Pat McCarthy

## Financial Statements Audit Report

# Spokane County Library District

For the period January 1, 2021 through December 31, 2022

*Published August 10, 2023*

Report No. 1033028



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

August 10, 2023

Board of Trustees  
Spokane County Library District  
Spokane, Washington

**Report on Financial Statements**

Please find attached our report on the Spokane County Library District's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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## INDEPENDENT AUDITOR'S REPORT

### 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*

#### **Spokane County Library District January 1, 2021 through December 31, 2022**

Board of Trustees  
Spokane County Library District  
Spokane, 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 Spokane County Library District, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated July 18, 2023.

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 state law 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.

#### **REPORT ON 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

## **REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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

July 18, 2023

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Spokane County Library District January 1, 2021 through December 31, 2022**

Board of Trustees  
Spokane County Library District  
Spokane, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of the Spokane County Library District, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, as listed in the financial section of our report.

### **Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the District has prepared these financial statements to meet the financial reporting requirements of state law and 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 accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the Spokane County Library District, and its changes in cash and investments, for the years ended December 31, 2022 and 2021, on the basis of accounting described in Note 1.

### **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 Spokane County Library District, as of December 31, 2022 and 2021, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

## **Basis for Unmodified and Adverse Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

## **Matter Giving Rise to 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. As described in Note 1 of the financial statements, the financial statements are prepared by the District in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

## **Responsibilities of Management 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 state law and the BARS Manual 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Matter of Emphasis**

As discussed in Note 3 for fiscal years 2022 and 2021 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 3 for fiscal years 2022 and 2021. Our opinion is not modified with respect to this matter.



## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. 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 as a whole.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2023 on our consideration of the District's internal control over financial reporting and on the 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 the effectiveness of the District's 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, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

July 18, 2023

## **FINANCIAL SECTION**

### **Spokane County Library District January 1, 2021 through December 31, 2022**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2022  
Fund Resources and Uses Arising from Cash Transactions – 2021  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2022  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2021  
Notes to Financial Statements – 2022  
Notes to Financial Statements – 2021

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Liabilities – 2022  
Schedule of Liabilities – 2021

**Spokane County Library District**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2022**

		<b>Total for All Funds (Memo Only)</b>	<b>001 General</b>	<b>201 DebtService</b>	<b>301 CapProj</b>
<b>Beginning Cash and Investments</b>					
308	Beginning Cash and	11,608,081	7,728,916	-	3,879,165
388 / 588	Net Adjustments	-	-	-	-
<b>Revenues</b>					
310	Taxes	16,453,179	16,453,179	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	546,032	546,032	-	-
340	Charges for Goods and	28,378	28,378	-	-
350	Fines and Penalties	127,469	127,469	-	-
360	Miscellaneous Revenues	562,510	444,528	-	117,982
Total Revenues:		17,717,568	17,599,586	-	117,982
<b>Expenditures</b>					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	14,465,500	14,465,500	-	-
Total Expenditures:		14,465,500	14,465,500	-	-
Excess (Deficiency) Revenues over Expenditures:		3,252,068	3,134,086	-	117,982
<b>Other Increases in Fund Resources</b>					
391-393, 596	Debt Proceeds	9,004,428	-	9,004,428	-
397	Transfers-In	9,517,906	-	-	9,517,906
385	Special or Extraordinary	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		18,522,334	-	9,004,428	9,517,906
<b>Other Decreases in Fund Resources</b>					
594-595	Capital Expenditures	9,091,004	736,948	-	8,354,056
591-593, 599	Debt Service	203,588	-	203,588	-
597	Transfers-Out	9,517,906	2,000,000	7,517,906	-
585	Special or Extraordinary	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		18,812,498	2,736,948	7,721,494	8,354,056
<b>Increase (Decrease) in Cash and Investments:</b>		<b>2,961,904</b>	<b>397,138</b>	<b>1,282,934</b>	<b>1,281,832</b>
<b>Ending Cash and Investments</b>					
50821	Nonspendable	-	-	-	-
50831	Restricted	1,282,934	-	1,282,934	-
50841	Committed	-	-	-	-
50851	Assigned	5,160,997	-	-	5,160,997
50891	Unassigned	8,126,054	8,126,054	-	-
<b>Total Ending Cash and Investments</b>		<b>14,569,985</b>	<b>8,126,054</b>	<b>1,282,934</b>	<b>5,160,997</b>

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

**Spokane County Library District**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		Total for All Funds (Memo Only)	001 General	301 CapProj
<b>Beginning Cash and Investments</b>				
308	Beginning Cash and Investments	9,135,266	5,851,918	3,283,348
388 / 588	Net Adjustments	-	-	-
<b>Revenues</b>				
310	Taxes	16,191,071	16,191,071	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	496,017	496,017	-
340	Charges for Goods and Services	20,310	20,310	-
350	Fines and Penalties	64,189	64,189	-
360	Miscellaneous Revenues	391,232	360,584	30,648
Total Revenues:		17,162,819	17,132,171	30,648
<b>Expenditures</b>				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	13,256,859	13,256,859	-
Total Expenditures:		13,256,859	13,256,859	-
Excess (Deficiency) Revenues over Expenditures:		3,905,960	3,875,312	30,648
<b>Other Increases in Fund Resources</b>				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	1,201,800	-	1,201,800
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		1,201,800	-	1,201,800
<b>Other Decreases in Fund Resources</b>				
594-595	Capital Expenditures	1,433,145	796,514	636,631
591-593, 599	Debt Service	-	-	-
597	Transfers-Out	1,201,800	1,201,800	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		2,634,945	1,998,314	636,631
<b>Increase (Decrease) in Cash and Investments:</b>		<b>2,472,815</b>	<b>1,876,998</b>	<b>595,817</b>
<b>Ending Cash and Investments</b>				
50821	Nonspendable	-	-	-
50831	Restricted	-	-	-
50841	Committed	-	-	-
50851	Assigned	3,879,165	-	3,879,165
50891	Unassigned	7,728,916	7,728,916	-
<b>Total Ending Cash and Investments</b>		<b>11,608,081</b>	<b>7,728,916</b>	<b>3,879,165</b>

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

**Spokane County Library District**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2022**

		<b>Custodial</b>
308	Beginning Cash and Investments	10,490
388 & 588	Net Adjustments	-
310-390	Additions	-
510-590	Deductions	2,100
	Net Increase (Decrease) in Cash and Investments:	(2,100)
508	Ending Cash and Investments	8,390

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

**Spokane County Library District**  
**Fiduciary Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

		<b>Custodial</b>
308	Beginning Cash and Investments	11,565
388 & 588	Net Adjustments	-
310-390	Additions	-
510-590	Deductions	1,075
	Net Increase (Decrease) in Cash and Investments:	(1,075)
508	Ending Cash and Investments	10,490

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

**Spokane County Library District**  
**Notes to Financial Statements**  
**January 1, 2022 through December 31, 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Spokane County Library District (District) is a special purpose district that provides library services to the general public and is supported primarily through property taxes. The Spokane County Library District was incorporated in 1942. The District operates under the laws of the State of Washington applicable to Library Districts, Chapter 27.12 RCW. The Spokane County Library District Board of Trustees, which governs the District, is composed of five county residents appointed by the Spokane County Board of Commissioners.

The District reports financial activity using the revenue and expenditure classifications, statements and schedules contained in 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 of the Revised Code of Washington (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 presented using classifications that are similar to the ending balance classification in GAAP.

A. Fund Accounting

Financial transactions of the District are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprise its cash and investments, revenues and expenditures. The District'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, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General 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.

Capital Projects Fund – This fund accounts for financial resources that are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.



Debt Service Fund: - This fund accounts for financial resources that are restricted, committed or assigned for principal, interest and related costs on general long term debt.

FIDUCIARY FUND TYPES:

Custodial Fund - This fund is used to account for assets that the District holds on behalf of others in a custodial capacity.

B. Basis of Accounting and Measurement Focus

The 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.

C. Cash and Investments

See Note 4, Deposits and Investments.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Capital assets are recorded as capital expenditures when purchased.

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours for benefited employees which is payable upon separation or retirement. As of December 31, 2022, accumulated vacation potentially subject to pay-off was \$549,112.

Sick leave may be accumulated up to a maximum balance of 960 accrued hours and may be partially payable upon separation or retirement based on the following. Employees with 15 years of service or more will be given compensation for 50% of accrued sick leave balances (up to a total of 480 hours). Employees with at least 3 but no more than 15 years of service will be given compensation for 33.3% of accrued sick leave balances (up to a total of 320 hours). There is no compensation for accrued sick leave for employees with less than three years' service. As of December 31, 2022, accumulated sick leave potentially subject to pay-off was \$347,374.

The combined potential payments as of December 31, 2022, are \$896,486. Payments are recognized as expenditures when paid.

F. Long Term Debt

See Note 5 – Long Term Debt

## **NOTE 2 – BUDGET COMPLIANCE**

### **A. Budgets**

The Spokane County Library District adopts annual budgets for the General and Capital Projects funds. These budgets are appropriated at the fund level. The budget constitutes legal authority for expenditures at that level. Appropriations for these funds lapse at 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 follows:

Fund	Final Appropriated		
	Amounts	Actual Expenditures	Variance
<b>General Fund</b>	17,464,500	17,202,447	262,053
<b>Capital Projects Fund</b>	8,706,000	8,354,056	351,944

Budget amounts are authorized to be transferred between departments within any fund; however, any revisions that alter the total expenditures of a fund must be approved by the District's Board of Trustees.

## **NOTE 3 – COVID-19 PANDEMIC**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021 and into 2022. These measures included limitations on business operations, public events, gatherings, travel and in-person interactions.

In March 2020 the District closed all library facilities in compliance with the Governor's orders. In July 2020, the District was allowed to provide "curbside" library services at all District facilities which were continued throughout the remaining months of 2020 and into 2021. In March 2021, the District was allowed to reopen all library facilities, initially for limited hours, and in October 2021, returning to pre-pandemic open hour levels which were continued for all of 2022.

The District receives over 95% of its general fund revenues from property taxation, which was not adversely affected by the pandemic. As such, the District did not experience any direct or indirect material financial impact in year 2022 and does not expect any impact in future years.

#### **NOTE 4 - DEPOSITS AND INVESTMENTS**

Investments are recorded at original cost. Deposits and investments by type as of December 31, 2022, are as follows:

Deposits and Investments By Fund and Type	Amount
<b>General Fund</b>	
Bank Deposits	69,398
Spokane Public Investment Fund	8,055,516
Petty Cash	1,140
<b>Capital Projects Fund</b>	
Bank Deposits	19,412
Spokane Public Investment Fund	5,141,585
<b>Debt Service Fund</b>	
State Local Government Investment Pool	1,282,934
<b>Custodial Fund</b>	
Spokane Public Investment Fund	8,390

It is the District's policy to invest all temporary cash surpluses. The interest on these surpluses is prorated to the various funds where the surplus funds originated.

##### **Investments in Washington State Local Government Investment Pool (LGIP)**

The District is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The LGIP is not rated and not registered with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with RCW 43.250. Investments in the LGIP are reported at amortized cost, which is the same as the value of the LGIP per share. The LGIP does not impose any restrictions on participant withdrawals.

##### **Investments in Spokane Public Investment Fund (SPIF)**

The District is a voluntary participant in the Spokane Public Investment Fund, an external investment pool operated by the Spokane County Treasurer. The SPIF is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The District reports its investment in the SPIF at amortized cost which is the same as the value of the SPIF per share. The SPIF does not impose any restrictions on participant withdrawals.

##### **Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District would not be able to recover deposits or would not be able to recover collateral securities that are in the possession of an outside party. All District's deposits are covered by the Federal Deposit Insurance Corporation or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission.

All of the District's investments with Spokane County are held in the Spokane Public investment Pool in the District's name.

#### **NOTE 5 – LONG TERM DEBT**

In June 2022, the District entered into a Local Agency Financing Lease with the State of Washington, administered by the Washington State Treasurer's office to provide \$9,000,000 in financing for a new library to be constructed in Spokane Valley. The all-inclusive interest rate of this financing lease is 2.47% and the maturity date of the final payment is June 1, 2031. See Note 10 (A) for further details of the new library facility.

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the District and summarizes the District's debt transactions for the year ended December 31, 2022.

The debt service requirements for the certificates of participation outstanding are as follows:

<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2023	725,000	382,375	1,107,375
2024	765,000	345,125	1,110,125
2025	800,000	306,000	1,106,000
2026	840,000	265,000	1,105,000
2027	885,000	221,875	1,106,875
2028 thru 2031	3,995,000	411,875	4,406,875
Total	8,010,000	1,932,250	9,942,250

#### **NOTE 6 - PROPERTY TAXES**

The Spokane County Treasurer acts as an agent to collect property taxes 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 the tax is levied.

The District's 2022 regular levy rate was \$0.424958 per \$1,000 of assessed valuation on \$39,102,006,400 for a total regular levy of \$16,616,707.

## **NOTE 7 - PENSION PLANS**

### **A. State Sponsored Pension Plans**

Substantially all Spokane County Library 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 benefit and defined contribution retirement plans.

#### Public Employee Retirement System (PERS) Plan 2/3.

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

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

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98504-8380

The DRS ACFR may also be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

On June 30, 2022 (the measurement date of the plans), the District's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, or net pension assets, was as follows:

	Employer Contributions	Allocation Percentage	Net Pension Liability
PERS 1 UAAL	252,785	0.041247%	1,148,468
	Employer Contributions	Allocation Percentage	Net Pension Asset
PERS 2/3	432,179	0.053796%	1,995,176

## **NOTE 8 – HEALTH & WELFARE**

The District is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014, when

participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2022, 262 cities, towns and non-city entities participate and have enrollment in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 employees or more to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities such as the District are also eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2022, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of \$1.5 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

Participating employers' contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110 WAC

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the Washington State Auditor's office (State Auditor) under the authority of Chapter 43.09 RCW. The

AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board (GASB). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

## **NOTE 9 – RISK MANAGEMENT**

The District's uses a combination of purchased commercial insurance, participation in risk pools and self-insurance to manage risk.

The District maintains individually purchased commercial insurance policies primarily through Great American Insurance Company and Philadelphia Indemnity Insurance Company to insure property and liability risks, including but not limited to, commercial property, general liability, commercial auto, director and officer's liability, employment practices liability, and cyber liability. Property insurance coverage for 2022 is full replacement costs of all real and personal property with a \$5,000 deductible. General liability limits for 2022 are \$1,000,000 per occurrence, \$2,000,000 annual aggregate plus a \$10,000,000 umbrella. There have been no claims in excess of insurance coverage for 2022.

Health and welfare coverages are provided through a risk pool which is further explained and disclosed in Note 8.

The District self-insures its unemployment compensation obligations through a reimbursable account administered by the Washington State Employment Security Department, and pays the full cost of all unemployment claims, if any, when incurred. The District paid claims totaling \$6,838 during 2022.

Workers' compensation obligations are insured through participation in the Washington State Fund insurance pool administered by the Washington State Department of Labor and Industries.

## **NOTE 10 – OTHER DISCLOSURES**

A. In September 2012, the District entered into an interlocal agreement with the City of Spokane Valley (City) for the purpose of acquiring an 8.4 acre parcel of land that will, in the future, be developed as a District Library and City Park. In the agreement the District agreed to purchase between 2.50 and 3.50 acres of this parcel at a cost that is proportional to the amount of land they held, relative to the purchase price. The agreement further provides that the City will hold title to the entire 8.4 acre parcel until a site development plan is completed and the specific land configuration can be determined for each party.

In October 2012, the City purchased the 8.4 acre parcel of land at a cost of approximately \$2,500,000 and the District gave the City approximately \$744,047 for its initial 2.5 acre share. Additionally, there was approximately \$29,762 paid for real estate commissions in conjunction with the District's acquiring this property, for a total amount paid of \$773,809. In early 2014, the District purchased an additional 0.32 acres for \$97,367. The interlocal agreement also provides that if the District has not secured voter approval of a construction bond, or otherwise secured the means to construct the library

building and ancillary improvements, the City of Spokane Valley will re-purchase the land at the same price paid by the District.

In October 2017, the interlocal agreement was extended via an amendment allowing the District until October 2022, with the possibility of a two-year extension to October 2024 to fulfill the requirements of the interlocal agreement.

During 2021, the District secured sufficient financing to design and construct the new Spokane Valley Library on the aforementioned site and contracted with Integrus Architecture in April 2021 for the design.

The request for bids for the construction of the new building were be issued in January and bids were opened on February 22, 2022, and the construction contract was awarded to the low responsive and responsible bidder. Construction of this new facility commenced on April 4, 2022, and the date of substantial completion was established to be April 14, 2023.

The total estimated capital cost of the new facility including all architectural and engineering fees, sales tax, furniture, fixtures and equipment and known change orders is approximately \$15,000,000. Funds for this construction are provided from the combined total of \$9,000,000 of financing from the LOCAL program administered by the Washington State Treasurer office, a Library Capital Improvement Grant of \$1,950,000 from the Washington State Department of Commerce, and the existing fund balance in the District Capital Project Fund.

- B. In 2003, the District entered into an interlocal agreement with Moran Prairie Library Capital Facility Area (MPLCFA) regarding the acquisition, operation and ownership of the Moran Prairie Library. Legal title to this library facility transferred to the District immediately upon completion. The District also agreed to provide all necessary administrative support to MPLCFA without charge for the duration of this agreement, which will remain in effect pursuant to RCW 27.15.060 until all general obligation bonds or other obligations of MPLCFA have been discharged or assumed by any other governmental entity. General obligation bond debt in existence as of December 31, 2022, is currently scheduled to be discharged in full in 2023.
- C. The Custodial Fund is used to account for the activities of Inland Northwest Council of Libraries (INCOL). INCOL is a consortium of governmental and private non-profit library entities from Eastern Washington and North Idaho whose mission is to provide shared cost educational programs for members. The District is a member of INCOL. In February of 2018, the District agreed to perform the fiscal agent duties of INCOL and established a custodial fund on INCOL's behalf.



**Spokane County Library District**  
**Notes to Financial Statements**  
**January 1, 2021 through December 31, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Spokane County Library District (District) is a special purpose district that provides library services to the general public and is supported primarily through property taxes. The Spokane County Library District was incorporated in 1942. The District operates under the laws of the State of Washington applicable to Library Districts, Chapter 27.12 RCW. The Spokane County Library District Board of Trustees, which governs the District, is composed of five county residents appointed by the Spokane County Board of Commissioners.

The District reports financial activity using the revenue and expenditure classifications, statements and schedules contained in 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 of the Revised Code of Washington (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 presented using classifications that are similar to the ending balance classification in GAAP.

A. Fund Accounting

Financial transactions of the District are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprise its cash and investments, revenues and expenditures. The District'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, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General 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.

Capital Projects Fund – This fund accounts for financial resources that are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets

## FIDUCIARY FUND TYPES:

Custodial Fund - This fund is used to account for assets that the District holds on behalf of others in a custodial capacity.

### B. Basis of Accounting and Measurement Focus

The 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.

### C. Cash and Investments

See Note 4, Deposits and Investments.

### D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of 1 year. Capital assets are recorded as capital expenditures when purchased.

### E. Compensated Absences

Vacation leave may be accumulated up to 240 hours for benefited employees which is payable upon separation or retirement. As of December 31, 2021, accumulated vacation potentially subject to pay-off was \$532,301.

Sick leave may be accumulated up to a maximum balance of 960 accrued hours and may be partially payable upon separation or retirement based on the following. Employees with 15 years of service or more will be given compensation for 50% of accrued sick leave balances (up to a total of 480 hours). Employees with at least 3 but no more than 15 years of service will be given compensation for 33.3% of accrued sick leave balances (up to a total of 320 hours). There is no compensation for accrued sick leave for employees with less than three years' service. As of December 31, 2021, accumulated sick leave potentially subject to pay-off was \$357,321.

The combined potential payments as of December 31, 2021, are \$889,622. Payments are recognized as expenditures when paid.

## **NOTE 2 - BUDGET COMPLIANCE**

### A. Budgets

The Spokane County Library District adopts annual budgets for the General and Capital Projects funds.

These budgets are appropriated at the fund level. The budget constitutes legal authority for expenditures at that level. Appropriations for these funds lapse at 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 follows:

Fund	Final Appropriated		
	Amounts	Actual Expenditures	Variance
<b>General Fund</b>	16,692,000	15,255,173	1,436,827
<b>Capital Projects Fund</b>	1,096,000	636,631	459,369

Budget amounts are authorized to be transferred between departments within any fund; however, any revisions that alter the total expenditures of a fund must be approved by the District's Board of Trustees.

### **NOTE 3 – COVID-19 PANDEMIC**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel and in-person interactions.

In March 2020 the District closed all library facilities in compliance with the Governor's orders. In July 2020, the District was allowed to provide "curbside" library services at all District facilities which were continued throughout the remaining months of 2020 and into 2021. In March 2021, the District was allowed to reopen all library facilities, initially for limited hours, and in October 2021, returning to pre-pandemic open hour levels. The District maintained its website for the entirety of 2021 and provided all online and digital library services at fully operational levels.

The District receives over 95% of its general fund revenues from property taxation, which was not adversely affected by the pandemic. As such, the District did not experience any direct or indirect material financial impact in year 2021 and does not expect any impact in future years.

### **NOTE 4 - DEPOSITS AND INVESTMENTS**

Investments are recorded at original cost. Deposits and investments by type as of December 31, 2021, are as follows:

Deposits and Investments By Fund and Type		Amount
<b>General Fund</b>		
Bank Deposits		60,607
Spokane Public Investment Fund		7,667,169
Petty Cash		1,140
<b>Capital Projects Fund</b>		
Bank Deposits		48,469
Spokane Public Investment Fund		3,830,696
<b>Custodial Fund</b>		
Spokane Public Investment Fund		10,490

It is the District's policy to invest all temporary cash surpluses. The interest on these surpluses is prorated to the various funds where the surplus funds originated.

#### Investments in Spokane Public Investment Fund

The District is a voluntary participant in the Spokane Public Investment Fund, an external investment pool operated by the Spokane County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The District reports its investment in the pool at amortized cost which is the same as the value of the pool per share.

#### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District would not be able to recover deposits or would not be able to recover collateral securities that are in the possession of an outside party. All District's deposits are covered by the Federal Deposit Insurance Corporation and/or the Washington Public Deposit Protection Commission.

All of the District's investments with Spokane County are held in the Spokane Public investment Pool in the District's name.

### **NOTE 5 - PROPERTY TAXES**

The Spokane County Treasurer acts as an agent to collect property taxes 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 the tax is levied.

The District's 2021 regular levy rate was \$0.462420 per \$1,000 of assessed valuation on \$34,637,613,232 for a total regular levy of \$16,018,579.

## **NOTE 6 - PENSION PLANS**

### **A. State Sponsored Pension Plans**

Substantially all Spokane County Library 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 benefit and defined contribution retirement plans.

#### Public Employee Retirement System (PERS) Plan 2/3.

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

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

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98504-8380

The DRS ACFR may also be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

On June 30, 2021 (the measurement date of the plans), the District's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, or net pension assets, was as follows:

	Employer Contributions	Allocation Percentage	Net Pension Liability
PERS 1 UAAL	309,621	0.041566%	507,618
	Employer Contributions	Allocation Percentage	Net Pension Asset
PERS 2/3	505,936	0.053410%	5,320,495

## **NOTE 7 – HEALTH & WELFARE**

The District is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014, when

participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2021, 262 cities, towns and non-city entities participate in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 employees or more to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-City Entities such as the District are also eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2021, the AWC Trust HCP purchased stop loss insurance for Regence/Asuris plans at an Individual Stop Loss (ISL) of \$1.5 million through Commencement Bay Risk Management, and Kaiser ISL at \$1.0 million with Companion Life through ASG Risk Management. The aggregate policy is for 200% of expected medical claims.

Participating employers' contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110 WAC

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the Washington State Auditor's office (State Auditor) under the authority of Chapter 43.09 RCW. The

AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board (GASB). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in this report. Year-end financial reporting is done on an accrual basis and submitted to the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

## **NOTE 8 – RISK MANAGEMENT**

The District's uses a combination of purchased commercial insurance, participation in risk pools and self-insurance to manage risk.

The District maintains individually purchased commercial insurance policies primarily through Great American Insurance Company and Philadelphia Indemnity Insurance Company to insure property and liability risks, including but not limited to, commercial property, general liability, commercial auto, director and officer's liability, employment practices liability, and cyber liability. Property insurance coverage for 2021 is full replacement costs of all real and personal property with a \$5,000 deductible. General liability limits for 2021 are \$1,000,000 per occurrence, \$2,000,000 annual aggregate plus a \$10,000,000 umbrella. There have been no claims in excess of insurance coverage for 2021.

Health and welfare coverages are provided through a risk pool which is further explained and disclosed in Note 7.

The District self-insures its unemployment compensation obligations through a reimbursable account administered by the Washington State Employment Security Department, and pays the full cost of all unemployment claims, if any, when incurred. The District paid claims totaling \$1,528 during 2021.

Workers' compensation obligations are insured through participation in the Washington State Fund insurance pool administered by the Washington State Department of Labor and Industries.

## **NOTE 9 – OTHER DISCLOSURES**

- A. In September 2012, the District entered into an interlocal agreement with the City of Spokane Valley (City) for the purpose of acquiring an 8.4 acre parcel of land that will, in the future, be developed as a District Library and City Park. In the agreement the District agreed to purchase between 2.50 and 3.50 acres of this parcel at a cost that is proportional to the amount of land they held, relative to the purchase price. The agreement further provides that the City will hold title to the entire 8.4 acre parcel until a site development plan is completed and the specific land configuration can be determined for each party.

In October 2012, the City purchased the 8.4 acre parcel of land at a cost of approximately \$2,500,000 and the District gave the City approximately \$744,047 for its initial 2.5 acre share. Additionally, there was approximately \$29,762 paid for real estate commissions in conjunction with the District's acquiring this property, for a total amount paid of \$773,809. In early 2014, the District purchased an additional 0.32 acres for \$97,367. The interlocal agreement also provides that if the District has not secured voter approval of a construction bond, or otherwise secured the means to construct the library building and ancillary improvements, the City of Spokane Valley will re-purchase the land at the same price paid by the District.

In October 2017, the interlocal agreement was extended via an amendment allowing the District until October 2022, with the possibility of a two-year extension to October 2024 to fulfill the requirements of the interlocal agreement.

During 2021, the District obtained sufficient financing to design and construct the new Spokane Valley Library on the aforementioned site and contracted with Integrus Architecture in April 2021 for the design. As of December 31, 2021, the design of the new library was near completion. The request for bids on the new building will be issued in January and the bid opening date is currently scheduled for February 22, 2022. Construction of this new facility is scheduled to begin in spring of 2021 with an estimated completion in the summer of 2022. The total estimated capital cost of the new facility including all architectural and engineering fees, sales tax, all furniture, fixtures and equipment and other related costs is approximately \$15,000,000. Funds for this construction will be provided with a combination of a commitment not to exceed \$12,000,000 in financing from the LOCAL program within the Washington State Treasurer office, a Library Capital Improvement Grant of \$1,950,000 from the Washington State Department of Commerce, and the existing yearend fund balance in the District Capital Project Fund.

- B. In 2003, the District entered into an interlocal agreement with Moran Prairie Library Capital Facility Area (MPLCFA) regarding the acquisition, operation and ownership of the Moran Prairie Library. Legal title to this library facility transferred to the District immediately upon completion. The District also agreed to provide all necessary administrative support to MPLCFA without charge for the duration of this agreement, which will remain in effect pursuant to RCW 27.15.060 until all general obligation bonds or other obligations of MPLCFA have been discharged or assumed by any other governmental entity. General obligation bond debt in existence as of December 31, 2021, is currently scheduled to be discharged in full in 2023.
- C. The Custodial Fund is used to account for the activities of Inland Northwest Council of Libraries (INCOL). INCOL is a consortium of governmental and private non-profit library entities from Eastern Washington and North Idaho whose mission is to provide shared cost educational programs for members. The District is a member of INCOL. In February of 2018, the District agreed to perform the fiscal agent duties of INCOL and established a custodial fund on INCOL's behalf.



**Spokane County Library District  
Schedule of Liabilities  
For the Year Ended December 31, 2022**

<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>						
263.96	LOCAL Program Certificates of Participation	12/1/2031	-	8,010,000	-	8,010,000
<b>Total General Obligation Debt/Liabilities:</b>			<b>-</b>	<b>8,010,000</b>	<b>-</b>	<b>8,010,000</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		889,622	6,864	-	896,486
264.30	Net Pension Liability		507,618	640,850	-	1,148,468
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>1,397,240</b>	<b>647,714</b>	<b>-</b>	<b>2,044,954</b>
<b>Total Liabilities:</b>			<b>1,397,240</b>	<b>8,657,714</b>	<b>-</b>	<b>10,054,954</b>

**Spokane County Library District  
Schedule of Liabilities  
For the Year Ended December 31, 2021**

<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>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences	12/31/2022	916,909	-	27,287	889,622
264.30	Net Pension Liability	12/31/2022	2,127,714	-	1,620,096	507,618
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>3,044,623</b>	<b>-</b>	<b>1,647,383</b>	<b>1,397,240</b>
<b>Total Liabilities:</b>			<b>3,044,623</b>	<b>-</b>	<b>1,647,383</b>	<b>1,397,240</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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