



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Pierce County Rural Library District

(Pierce County Library System)

For the period January 1, 2021 through December 31, 2023

Published December 18, 2024

Report No. 1036181



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

December 18, 2024

Board of Trustees
Pierce County Library System
Tacoma, Washington

Report on Financial Statements

Please find attached our report on Pierce County Library System'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

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Pierce County Library System January 1, 2021 through December 31, 2023

2023-001 The District did not have adequate internal controls for ensuring accurate reporting of its financial statements.

Background

District management is responsible for designing, implementing and maintaining internal controls to ensure the financial statements and supplementary schedules are fairly presented, and to provide reasonable assurance regarding the reliability of financial reporting. The District prepares its financial statements using the cash-basis accounting method under the *Budgeting, Accounting and Reporting System* (BARS) Manual.

Our audit identified deficiencies in internal controls over accounting and financial reporting that affected the District's ability to produce accurate financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate a material weakness in internal controls, as defined in the Applicable Laws and Regulations section below, as a finding.

Description of Condition

Our audit identified the following deficiencies in the District's internal controls over financial reporting that represent a material weakness. Specifically:

- Although the District has a process to review accounting records and financial statements, the review was ineffective for ensuring transfers in and transfers out were correctly presented.
- Although the District has a process to review supplementary schedules, such as the Schedule of Liabilities, the review was ineffective for ensuring amounts were properly calculated and reported.

Cause of Condition

When the general ledger was uploaded into the financial statements, the District did not have a process for verifying that all activity rolled up correctly and completely. Also, the District did not provide staff adequate training to fully understand BARS Manual guidance over the Schedule of Liabilities to ensure it was accurate and complete.

Effect of Condition

We identified the following errors in the financial statements we received for audit:

- Transfers-in and other resources was misclassified by \$4,397,675 in the 2023 financial statements. The District reported this amount in other resources when it should have been classified as transfers-in.
- The District reported a pension asset on the Schedule of Liabilities for fiscal years 2021, 2022 and 2023. However, it should only report pension liability amounts on this schedule.
- The District used the incorrect pension schedule to determine pension liability and asset amounts for fiscal year 2021. As a result, the pension liability was overstated by \$1,014,196 on the Schedule of Liabilities. This error carried through to the 2022 and 2023 Schedule of Liabilities and as a result, the pension liabilities were understated by \$5,668,872 and \$5,929,237 for fiscal years 2022 and 2023, respectively.
- The District implemented reporting for GASB Statement No. 87, Leases, in fiscal year 2022. However, the District erroneously included tax amounts and a short-term lease on the Schedule of Liabilities.
- Notes to the Financial Statements were incomplete for implementation of GASB 87 in fiscal years 2022 and 2023 as the District excluded templated language from the BARS Manual and three leases subject to this reporting requirement.

The errors identified above also resulted in errors in the applicable notes to the financial statements. The District has subsequently corrected these errors in the financial statements.

Recommendation

We recommend the District strengthen internal controls over financial statement preparation to ensure the financial statements are accurate, complete and in compliance with BARS Manual requirements and that all leases are correctly calculated and reported on the Schedule of Liabilities.

District's Response

Thank you for your service as Washington State Auditors. We very much appreciate the time, effort, thoughts, recommendations, and reports that you produce during your annual audits of the Pierce County Library System's fiscal and accountability responsibilities. Your work helps us ensure that the Library maintains a high standard of accountability and transparency, and responsibly stewards tax funds.

The Library acknowledges and agrees with the auditor's report, especially the causes of condition related to training and verification. As noted in the auditor's report, all of the errors have been corrected. During the 2021-2023 audit period, the Library's finance department was understaffed. Regardless, the Library takes seriously the recommendations the auditor has offered, and will address them by strengthening training, reviews, and verification processes. We appreciate the work of the State Auditors and we look forward to your visit for audits in future years.

Auditor's Remarks

We thank the District for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the District's corrective action during our next audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

RCW 43.09.200, Local government accounting – Uniform system of accounting, requires the state auditor to prescribe the system of accounting and reporting for all local governments.

Budgeting, Accounting and Reporting System (BARS) Manual, 3.1.3, Internal Control, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

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*

Pierce County Library System January 1, 2021 through December 31, 2023

Board of Trustees
Pierce County Library System
Tacoma, 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 Pierce County Library System, as of and for the years ended December 31, 2023, 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 December 17, 2024.

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.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2023-001, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Audit Findings and Responses as 2023-001.

DISTRICT'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

December 17, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Pierce County Library System January 1, 2021 through December 31, 2023

Board of Trustees
Pierce County Library System
Tacoma, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of Pierce County Library System, as of and for the years ended December 31, 2023, 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 Pierce County Library System, and its changes in cash and investments, for the years ended December 31, 2023, 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 Pierce County Library System, as of December 31, 2023, 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.

Matters of Emphasis

As discussed in Note 9 to the 2021 financial statements, as a result of the COVID-19 pandemic the direct or indirect financial impact on the District is unknown. Management's plans in response to this matter are also described in Note 9. Our opinion is not modified with respect to this matter.

As discussed in Note 8 to the financial statements, in 2022, the District adopted new accounting guidance for reporting of Leases, as required by the BARS Manual. Our opinion is not modified with respect to this matter.

As discussed in Note 9 to the financial statements, in 2023, the District adopted new accounting guidance for reporting of Subscription-Based Information Technology Agreements (SBITA), as required by the BARS Manual. Our opinion is not modified with respect to this matter.

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.

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 December 17, 2024 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 written in a cursive, flowing style with a large initial "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

December 17, 2024

FINANCIAL SECTION

Pierce County Library System January 1, 2021 through December 31, 2023

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2023
Fund Resources and Uses Arising from Cash Transactions – 2022
Fund Resources and Uses Arising from Cash Transactions – 2021
Notes to Financial Statements – 2023
Notes to Financial Statements – 2022
Notes to Financial Statements – 2021

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2023
Schedule of Liabilities – 2022
Schedule of Liabilities – 2021

Pierce County Rural Library District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

		Total for All Funds (Memo Only)	001 General	150 Future Uses Fund	160 Levy Sustainability Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	37,783,427	10,771,918	-	12,921,185
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	44,314,098	41,114,098	-	3,200,000
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	228,313	228,313	-	-
340	Charges for Goods and Services	27,466	27,466	-	-
350	Fines and Penalties	17,677	17,677	-	-
360	Miscellaneous Revenues	2,760,690	1,410,400	-	683,658
Total Revenues:		47,348,244	42,797,954	-	3,883,658
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	40,548,722	39,320,026	-	-
Total Expenditures:		40,548,722	39,320,026	-	-
Excess (Deficiency) Revenues over Expenditures:		6,799,522	3,477,928	-	3,883,658
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	4,450,000	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	103,661	51,336	-	-
Total Other Increases in Fund Resources:		4,553,661	51,336	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	3,530,932	-	-	-
591-593, 599	Debt Service	428,587	428,587	-	-
597	Transfers-Out	4,450,000	3,050,000	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		8,409,519	3,478,587	-	-
Increase (Decrease) in Cash and Investments:		2,943,664	50,677	-	3,883,658
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	19,124,636	-	-	16,804,844
50851	Assigned	10,779,861	-	-	-
50891	Unassigned	10,822,592	10,822,592	-	-
Total Ending Cash and Investments		40,727,089	10,822,592	-	16,804,844

The accompanying notes are an integral part of this statement.

Pierce County Rural Library District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

		170 Election Fund	180 Future Property & Facility Fund	200 Debt Service Fund	300 Capital Projects Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,137,625	2,428,152	90,114	10,434,433
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	59,344	109,930	4,465	492,893
Total Revenues:		59,344	109,930	4,465	492,893
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	15,259	-	-	1,213,437
Total Expenditures:		15,259	-	-	1,213,437
Excess (Deficiency) Revenues over Expenditures:		44,085	109,930	4,465	(720,544)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	4,450,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	52,325
Total Other Increases in Fund Resources:		-	-	-	4,502,325
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	3,530,932
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	1,400,000	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	1,400,000	-	3,530,932
Increase (Decrease) in Cash and Investments:		44,085	(1,290,070)	4,465	250,849
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	1,181,710	1,138,082	-	-
50851	Assigned	-	-	94,579	10,685,282
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		1,181,710	1,138,082	94,579	10,685,282

The accompanying notes are an integral part of this statement.

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

		Total for All Funds (Memo Only)	001 General	150 Future Uses Fund	160 Levy Sustainability Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	31,964,787	10,735,404	-	11,126,968
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	43,113,630	41,505,630	-	1,608,000
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	277,739	277,739	-	-
340	Charges for Goods and Services	15,031	15,031	-	-
350	Fines and Penalties	19,003	19,003	-	-
360	Miscellaneous Revenues	1,593,491	1,258,499	-	186,218
Total Revenues:		45,018,894	43,075,902	-	1,794,218
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	37,613,063	37,089,035	-	-
Total Expenditures:		37,613,063	37,089,035	-	-
Excess (Deficiency) Revenues over Expenditures:		7,405,831	5,986,867	-	1,794,218
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	6,773,200	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	118,242	118,242	-	-
Total Other Increases in Fund Resources:		6,891,442	118,242	-	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	1,410,035	-	-	-
591-593, 599	Debt Service	296,041	296,041	-	-
597	Transfers-Out	6,773,200	5,773,200	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		8,479,276	6,069,241	-	-
Increase (Decrease) in Cash and Investments:		5,817,997	35,868	-	1,794,218
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	16,486,962	-	-	12,921,185
50851	Assigned	10,524,546	-	-	-
50891	Unassigned	10,771,917	10,771,917	-	-
Total Ending Cash and Investments		37,783,425	10,771,917	-	12,921,185

The accompanying notes are an integral part of this statement.

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

		170 Election Fund	180 Future Property & Facility Fund	200 Debt Service Fund	300 Capital Projects Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	1,118,559	3,370,822	88,711	5,524,323
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	19,067	57,331	1,404	70,972
Total Revenues:		19,067	57,331	1,404	70,972
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	524,028
Total Expenditures:		-	-	-	524,028
Excess (Deficiency) Revenues over Expenditures:		19,067	57,331	1,404	(453,056)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	-	-	-	6,773,200
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	-
Total Other Increases in Fund Resources:		-	-	-	6,773,200
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	1,410,035
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	1,000,000	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	1,000,000	-	1,410,035
Increase (Decrease) in Cash and Investments:		19,067	(942,669)	1,404	4,910,109
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	1,137,625	2,428,152	-	-
50851	Assigned	-	-	90,114	10,434,432
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		1,137,625	2,428,152	90,114	10,434,432

The accompanying notes are an integral part of this statement.

Pierce County Rural 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	150 Future Uses Fund	160 Levy Sustainability Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	25,639,593	9,926,381	3,918,105	8,467,339
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	41,444,228	38,793,228	-	2,651,000
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	67,912	67,912	-	-
340	Charges for Goods and Services	502	502	-	-
350	Fines and Penalties	24,298	24,298	-	-
360	Miscellaneous Revenues	1,274,894	1,259,211	3,515	8,629
Total Revenues:		42,811,834	40,145,151	3,515	2,659,629
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	35,758,100	35,466,763	-	-
Total Expenditures:		35,758,100	35,466,763	-	-
Excess (Deficiency) Revenues over Expenditures:		7,053,734	4,678,388	3,515	2,659,629
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	7,988,784	-	-	-
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	252,572	17,078	187,164	-
Total Other Increases in Fund Resources:		8,241,356	17,078	187,164	-
Other Decreases in Fund Resources					
594-595	Capital Expenditures	977,787	-	-	-
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	7,988,784	3,880,000	4,108,784	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		8,966,571	3,880,000	4,108,784	-
Increase (Decrease) in Cash and Investments:		6,328,519	815,466	(3,918,105)	2,659,629
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	15,216,277	-	-	10,795,000
50851	Assigned	6,009,989	-	-	331,968
50891	Unassigned	10,741,845	10,741,845	-	-
Total Ending Cash and Investments		31,968,111	10,741,845	-	11,126,968

The accompanying notes are an integral part of this statement.

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

		170 Election Fund	180 Future Property & Facility Fund	200 Debt Service Fund	300 Capital Projects Fund
Beginning Cash and Investments					
308	Beginning Cash and Investments	-	-	88,623	3,239,145
388 / 588	Net Adjustments	-	-	-	-
Revenues					
310	Taxes	-	-	-	-
320	Licenses and Permits	-	-	-	-
330	Intergovernmental Revenues	-	-	-	-
340	Charges for Goods and Services	-	-	-	-
350	Fines and Penalties	-	-	-	-
360	Miscellaneous Revenues	151	445	88	2,855
Total Revenues:		151	445	88	2,855
Expenditures					
510	General Government	-	-	-	-
520	Public Safety	-	-	-	-
530	Utilities	-	-	-	-
540	Transportation	-	-	-	-
550	Natural/Economic Environment	-	-	-	-
560	Social Services	-	-	-	-
570	Culture and Recreation	-	-	-	291,337
Total Expenditures:		-	-	-	291,337
Excess (Deficiency) Revenues over Expenditures:		151	445	88	(288,482)
Other Increases in Fund Resources					
391-393, 596	Debt Proceeds	-	-	-	-
397	Transfers-In	1,118,408	3,370,376	-	3,500,000
385	Special or Extraordinary Items	-	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-	48,330
Total Other Increases in Fund Resources:		1,118,408	3,370,376	-	3,548,330
Other Decreases in Fund Resources					
594-595	Capital Expenditures	-	-	-	977,787
591-593, 599	Debt Service	-	-	-	-
597	Transfers-Out	-	-	-	-
585	Special or Extraordinary Items	-	-	-	-
581, 582, 589	Other Uses	-	-	-	-
Total Other Decreases in Fund Resources:		-	-	-	977,787
Increase (Decrease) in Cash and Investments:		1,118,559	3,370,821	88	2,282,061
Ending Cash and Investments					
50821	Nonspendable	-	-	-	-
50831	Restricted	-	-	-	-
50841	Committed	1,101,347	3,319,930	-	-
50851	Assigned	17,212	50,892	88,711	5,521,206
50891	Unassigned	-	-	-	-
Total Ending Cash and Investments		1,118,559	3,370,822	88,711	5,521,206

The accompanying notes are an integral part of this statement.

**Pierce County Rural Library District
Notes to the Financial Statements
For the year ended December 31, 2023**

Note 1 – Summary of Significant Accounting Policies

The Pierce County Rural Library District (“Library”) was established by a vote of the people of Pierce County on November 7, 1944. The Pierce County commissioners subsequently appointed the first Pierce County Library Board of Trustees on June 1, 1945. The Library operates under the laws of the state of Washington applicable to a rural county library district (RCW Chapter 27.12). The Library is a special purpose local government and provides library services to the general public, and is designated with taxing authority as a junior taxing district.

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

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- Component units are required to be disclosed, but are not included in the financial statements.
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- All funds are presented, rather than a focus on major funds.
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A. Fund Accounting

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

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

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

The Library maintains four special revenue funds, and calls them the “Future Uses Fund”, “Levy Sustainability Fund”, “Election Fund”, and “Property and Facility Fund”.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

The Library calls this fund as the “Capital Projects Fund.”

While the Library employs these five funds as distinct funds in the Library’s financial system, these four categories of funds, General Fund, Future Uses Fund, Levy Sustainability Fund, and Capital Projects Fund are recorded as a single General Fund in the Pierce County Treasurer’s system. The reconciliation process is based on combining all four fund transactions in the Library’s financial system and comparing it to the one General Fund maintained in the Pierce County Treasurer’s system. The Debt Service Fund remains a singular fund in both the Library’s and Pierce County Treasurer’s systems and is reconciled accordingly.

B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Investments

See Note 3, *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 one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Represented Employees: Vacation leave may be accumulated up to 240 hours and is payable upon separation of employment. Sick leave may be accumulated indefinitely and, upon separation or retirement, eligible employees hired before January 1, 2004 may receive payment of 30% of their sick leave balance up to a maximum of 1,200 hours. Compensatory time may be accumulated up to 24

hours and is payable upon separation of employment. Payments are recognized as expenditures when paid.

Non-Represented Employees: Vacation leave may be accumulated up to 280 hours and is payable upon separation of employment. Sick leave may be accumulated indefinitely and, upon separation or retirement, eligible employees may receive payment of 30% of their sick leave balance up to a maximum of 1,200 hours. Compensatory time, if eligible may be accumulated up to 24 hours and is payable upon separation of employment. Payments are recognized as expenditures when paid.

Substitute Employees: No accumulation of vacation and sick leave, but may be eligible for Washington State's extension to the Family Medical Leave Act.

In response to COVID-19, in 2020 both federal and state governments made it mandatory to implement several leave types for all employees under certain situations related to COVID. Some of these leave types continued into 2023. None of these leave types are accrued and are therefore not calculated as compensated absences.

We have included the 2023 records for the Shared Leave Program as recommended by the State Auditor's office on Schedule 9 as well.

F. Long-Term Debt

See Note 5, *Long-Term Debt*.

G. Reserved Portion of Ending Cash and Investments

On December 31, 2023, the Library did not hold any funds in reserve in the General Fund, Debt Service Fund, or Capital Projects Fund.

In the Future Uses Fund and the Levy Sustainability Fund, Beginning and Ending Cash and Investments are reported as "restricted" when it is subject to restrictions on use imposed by external parties or as "committed" due to internal commitments established by the Library Board of Trustees, the Library's highest governing body. When expenditures that meet restrictions are incurred, the Library intends to use designated committed resources first before using unreserved amounts.

Reservations of Ending Cash and Investments in the Levy Sustainability Fund consist of the following:

Committed as of 12/31/2023	Amount
Levy Sustainability	\$ 16,804,844
Total Committed	\$ 16,804,844

Reservations of Ending Cash and Investments in the Election Fund consist of the following:

Committed as of 12/31/2023	Amount
Election	\$ 1,181,710
Total Committed	\$ 1,181,710

Reservations of Ending Cash and Investments in the Property and Facility Fund consist of the following:

Committed as of 12/31/2023	Amount
Property and Facility	\$ 1,138,082
Total Committed	\$ 1,138,082

Note 2 – Budget Compliance

A. Budgets

The Library adopts annual appropriated budgets for all funds except the debt service fund, which is inactive other than receiving delinquent tax and investment interest. These budgets are appropriated at the fund level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end. With Board of Trustees approval, the Library may amend the appropriated budget within the fiscal year at any time and as many times needed to conduct its business.

Annual appropriated budgets and any amended budgets are adopted on the same basis of accounting as used for financial reporting. The final appropriated budget is the latest adopted budget for the fiscal year and is reported in the financial reports. In 2023, there was an amended budget for the Election Fund and the Capital Projects Fund.

The final appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$ 44,081,700	\$ 42,842,693	\$ (1,239,007)
Future Uses Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Levy Sustainability Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Election Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Property and Facility Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Debt Service Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Capital Projects Fund	\$ 10,318,000	\$ 4,764,591	\$(5,553,409)
Total all Funds	\$54,399,700	\$47,607,284	\$ (6,792,416)

Accruals and payables are recorded as liabilities in the Library's financial system. To reconcile cash with the Pierce County Treasurer's cash, expenditures must be adjusted through the subtraction of the variance between ending years. Accruals and payables were recorded at the end of the fiscal year as follows:

Fund	2022	2023	Variance
General Fund	\$ 208,296	\$ 252,375	\$ (44,079)

Future Uses Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Levy Sustainability Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Election Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Property and Facility Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Debt Service Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Capital Improvement Project Fund	\$ - 0 -	\$ 20,222	\$ (20,223)
Total all Funds:	\$ 208,296	\$ 272,598	\$ (64,302)

Budgeted amounts are authorized to be transferred between departments within any fund or object classes within departments; however, any revisions that alter the total expenditures of a fund must be approved by the Library's legislative body. Approved transfers between funds were as follows:

From	To	Original Appropriated Transfer	Change to Transfer Approved	Actual Transfer Amount
General Fund	Capital Projects Fund	\$ - 0 -	\$3,050,000	\$ 3,050,000
General Fund	Property and Facility Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Property & Facility Fd	Capital Projects Fund	\$ - 0 -	\$ 1,400,000	\$ 1,400,000
	Total Transfers	\$ - 0 -	\$ 4,450,000	\$ 4,450,000

Note 3 – Deposits and Investments

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

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

Investments are reported at original cost. Investments by type at December 31, 2023 were as follows:

Type of Investment	Library Investments (held by Pierce County Treasurer)	Investment Held by Library as Agent for Other Organizations	Total
State Local Government Investment Pool (L.G.I.P.)	\$ 40,197,224	\$ - 0 -	\$ 40,197,224

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

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Note 4 – Property Tax

The Pierce County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed at the end of each month.

Property tax revenues are recognized when cash is received by the Library. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied. A portion of annual property taxes received are deposited directly to the Levy Sustainability Fund and are declared as “committed” funds to pay for future Library operations when operational costs exceed revenue.

Note 5 – Long-Term Debt

A. Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the Library and summarizes the Library’s debt transactions for the year ended December 31, 2023.

The Library carries no debt of any form.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the Library’s full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans: Public Employee’s Retirement System (PERS) Plans 1, 2 or 3.

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

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

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

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

At June 30, 2023 (the measurement date of the plans), the Library’s proportionate share of the collective net pension liabilities, was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 764,545	0.112196 %	\$ 2,561,134
PERS 2/3	\$ 1,271,901	0.144662%	\$ (5,929,237)
Total	\$ 2,036,446		\$ (3,368,103)

Only the net pension liabilities are reported on the Schedule of Liabilities.

Note 7 – Risk Management

A. Risk and Insurance

The Library's risks are typical for libraries, and include such areas as theft, destruction of property, automobiles, accidents/injuries by staff and customers, legal, liability, safety and hazards, underground storage tanks of fuel, water damage, differences in conditions, and earthquakes. The Library's response is to purchase and maintain a level of insurance that adequately covers these risks both in individual coverage areas and in umbrella policies. Annual renewals are paid out of the Library's general fund. The insurers of the Library's policies and deductibles were as follows:

Type of coverage	Insurer	Limits	Deductible
General liability	The Hanover American Ins. Co.	\$2 million aggr.	\$ 1,000
Property	The Hanover American Ins. Co.	\$2 million aggr.	\$ 1,000
Property (Lakewood only)	Kingsdale Insurance Co.	\$2.5 million aggr.	\$ 50,000
Automotive	Allmerica Financial Benefit Ins. Co.	\$1 million	\$ 1,000
Umbrella/Excess	Hanover Insurance Co., Travelers Property Casualty Co., andNavigators Insurance Co.	\$50 million aggr.	N/A
Difference in conditions / flood / earthquake	General Security Indemnity Co., Steadfast Insurance Co., and Transverse Speciality Insurance Co.	\$20 million	\$ 25,000 to \$ 50,000
Management liability	Continental Casualty (CNA), Great American E&S Ins. Co., and Westchester Fire Ins. Co.	\$15 mil aggr.	\$ 10,000 to \$ 25,000
Cyber liability	Obsidian Speciality Ins. Co.	\$1 million	\$ 10,000
Pollution liability	Crum & Forster Specialty Ins. Co.	\$5 million aggr.	\$ 50,000

The Library has a Safety Committee that performs quarterly inspections of all Library properties; monitors and reviews safety-related concerns and reports; and makes recommendations for safety improvements.

The Library has a Risk Management Committee made up of a cross-section of management and staff. The purpose of this committee is to implement processes and procedures to respond to specific incidents.

B. Self-Insurance

The Library is self-insured for unemployment claims and reimburses actual claims paid through the State of Washington Employment Security Department. Claims are paid on a quarterly basis using the cash basis of accounting. The total paid was \$10,803.02 in 2023. The Library annually budgets a portion of its general fund to cover estimated claims. In 2023, the budget was \$50,000 which covered actual claims paid. No other reserve for self-insurance has been established as the potential liability is not considered to be material to the financial statements.

Note 8 – Leases (Lessees)

The Pierce County Library adopted guidance for the presentation and disclosure of leases, as required by the BARS manual dating back to 2022. This requirement results in the addition of a lease liability reported on the Schedule of Liabilities.

DuPont Library:

Pierce County Library leases a building from Elite Property Investments under lease agreement of 5 years. The lease began in May of 2021 and will end April of 2026 and include the option to cancel after the 5 years. The contracted lease amount is \$8,761.04 for January through April 2023 and \$9,024.27 for May through December 2023.

Milton Library:

Pierce County Library leases a building from Surprise Lake Square LLC under lease agreement of 5 years. The lease began in June of 2020 and will end May of 2025 and include the option to cancel after the 5 years. The contracted lease amount is \$8,817.41 for January through May 2023 and \$9,081.93 for June through December 2023.

Orting Library:

Pierce County Library leases a building from the City of Orting under lease agreement of 1 year for \$3,400 a month. The lease began in January of 2022 and will end December of 2022 and include the option to extend.

Lakewood:

Pierce County Library leases property from Beta- Lakewood LLC under lease agreement of 10 years. The lease began in September of 2023 and will end August of 2033 and include the option to extend for two years. The contracted lease amount is \$23,000 a month for 2023.

Pitney Bowes Vendor:

Pierce County Library leases a postage meter from Pitney Bowes for \$277.21 per month under a 5-year lease agreement starting November 2020 through October 2025.

Ricoh Vendor:

Pierce County Library contracted 31 leases for copiers from Ricoh under 5-year lease agreements. Contracts range from start date April 2018 to May 2021 and ending ranging from April 2023 to May 2026 with 3 contracts expiring in 2023. Expenses per contract range from \$99 to \$560 per month.

Year ended December 31	Total
2024	552,206.23
2025	498,354.03
2026	348,744.44
2027	304,976.76
2028	300,759.44
2029-2030	618,355.41
2031-2035	882,310.05
Total	3,505,706.36

Note 9 – Subscription Based Information Technology Arrangements (SBITA)

During the year ended 2023, the Pierce County Library adopted guidance for the presentation and disclosure of Subscription Based Information Technology Arrangements (SBITA), as required by the BARS manual. This requirement resulted in the addition of a subscription liability reported on the Schedule of Liabilities.

A. SBITA Contracts

The Pierce County Library makes subscription payments of \$2,737 per year to MSDSONLINE INC (Velocity EHS) for facilities chemical safety management software. The SBITA contract is for 3 years and does not include the option to extend the contract.

The Pierce County Library makes subscription payments between \$209,613.03 and \$235,786.15 annually to Innovative Interfaces Inc for Polaris integrated library system.

The Pierce County Library makes subscription payments \$18,422.25 annually to Silkroad (Rival) for recruiting software. The SBITA contract is for 3 years and does not include the option to extend the contract.

B. Total Amounts Paid for SBITAs

The total amount paid for SBITAs in 2023 was \$230,772. As of December 31, 2023, the future SBITA payments total \$680,501.15 are as follows:

Year ended December 31	Total
2024	\$ 217,997.55
2025	\$ 226,717.45
2026	\$ 235,786.15
2027	\$ -
2028	\$ -
2029-2030	\$ -
2031-2035	\$ -
Totals	\$ 680,501.15

Note 10 – Other Disclosures

A. Pollution Remediation

In 2017 the Buckley Library was determined to have, and independently confirmed to have, ground contaminated with (1) certain gasolines from a gas station's underground storage tanks, which had been removed in 1983 and (2) oil and other contaminants from a welding shop. Both of these businesses used to operate on the premises prior to the Library's purchase of the property in 1989. The Library continues to work with an independent contractor and the Washington State Department of Ecology to assess the full scope, nature, and extent of the contamination. In early 2019, the Library was accepted into the state of Washington's Volunteer Cleanup Program (VCP) and will be identifying subsequent plans for remediation, estimated costs, and time schedule. In 2022, an estimated construction cost was set at approximately \$729,000, and the plan was approved by Department of Ecology, the budget for this project for 2023 was set at \$1,075,000. In 2023, \$908,794 was spent on the main contractor to continue work on the premises for analysis of contamination and to perform measurements. Because of other unknown factors continue to arise as construction occurs, the Library established an additional \$1,040,100 budget from existing fund to be used in 2024.

Note 11- Subsequent Events

A. Public records request

Pierce County Library System experienced a significant increase in the volume and scope of public record requests in 2024 with no changes to funding or FTE to support the work. While the full scope of direct or indirect costs are not yet known, this sharp increase results in increased staff time to fulfill requests and an increase in legal consultation expenses. These expenses are being absorbed in the existing contingency of the current year's budget. The Library has conferred with the Office of the Washington State Auditor's Center for Government Innovation and will be working with a Lean Specialist on public record processes in 2025. Internal response plans include process updates and outside review as beneficial to ensure accuracy, efficiency, and more manageable workload.

A complaint regarding a staff member was thoroughly reviewed with guidance from external legal counsel, concluding that no fraud occurred, as the staff member acted in good faith to assist the public without personal interest or gain. There is no anticipated fiscal impact to the Library at this time. The Library System has established processes for addressing complaints against employees, including investigations and appropriate actions, while maintaining confidentiality in personnel matters. These

efforts reflect the Library System's commitment to transparency, accountability, and compliance with public sector governance standards.

**Pierce County Rural Library District
Notes to the Financial Statements
For the year ended December 31, 2022**

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B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Investments

See Note 3, *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 one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Represented Employees: Vacation leave may be accumulated up to 240 hours and is payable upon separation of employment. Sick leave may be accumulated indefinitely, and, upon separation or retirement, eligible employees hired before January 1, 2004 may receive payment of 30% of their sick

leave balance up to a maximum of 1,200 hours. Compensatory time may be accumulated up to 24 hours and is payable upon separation of employment. Payments are recognized as expenditures when paid.

Non-Represented Employees: Vacation leave may be accumulated up to 280 hours and is payable upon separation of employment. Sick leave may be accumulated indefinitely and, upon separation or retirement, eligible employees may receive payment of 30% of their sick leave balance up to a maximum of 1,200 hours. Compensatory time, if eligible may be accumulated up to 24 hours and is payable upon separation of employment. Payments are recognized as expenditures when paid.

Substitute Employees: No accumulation of vacation and sick leave, but may be eligible for Washington State's extension to the Family Medical Leave Act.

In response to COVID-19, in 2020 both federal and state governments made it mandatory to implement several leave types for all employees under certain situations related to COVID. Some of these leave types continued into 2022. None of these leave types are accrued and are therefore not calculated as compensated absences.

We have included the 2022 records for the Shared Leave Program as recommended by the State Auditor's office on Schedule 9 as well.

F. Long-Term Debt

See Note 5, *Long-Term Debt*.

G. Reserved Portion of Ending Cash and Investments

On December 31, 2022, the Library did not hold any funds in reserve in the General Fund, Debt Service Fund, or Capital Projects Fund.

In the Future Uses Fund and the Levy Sustainability Fund, Beginning and Ending Cash and Investments are reported as "restricted" when it is subject to restrictions on use imposed by external parties or as "committed" due to internal commitments established by the Library Board of Trustees, the Library's highest governing body. When expenditures that meet restrictions are incurred, the Library intends to use designated committed resources first before using unreserved amounts.

Reservations of Ending Cash and Investments in the Levy Sustainability Fund consist of the following:

Committed as of 12/31/2022	Amount
Levy Sustainability	\$ 12,921,185
Total Committed	\$ 12,921,185

Reservations of Ending Cash and Investments in the Election Fund consist of the following:

Committed as of 12/31/2022	Amount
Election	\$ 1,137,625
Total Committed	\$ 1,137,625

Reservations of Ending Cash and Investments in the Property and Facility Fund consist of the following:

Committed as of 12/31/2022	Amount
Property and Facility	\$ 2,428,152
Total Committed	\$ 2,428,152

Note 2 – Budget Compliance

A. Budgets

The Library adopts annual appropriated budgets for all funds except the debt service fund, which is inactive other than receiving delinquent tax and investment interest. These budgets are appropriated at the fund level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end. With Board of Trustees approval, the Library may amend the appropriated budget within the fiscal year at any time and as many times needed to conduct its business.

Annual appropriated budgets and any amended budgets are adopted on the same basis of accounting as used for financial reporting. The final appropriated budget is the latest adopted budget for the fiscal year and is reported in the financial reports. In 2022, no amending budget occurred.

The final appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$ 42,753,700	\$ 43,139,150	\$385,450
Future Uses Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Levy Sustainability Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Election Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Property and Facility Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Debt Service Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Capital Projects Fund	\$ 3,690,000	\$ 1,925,445	\$(1,764,555)
Total all Funds	\$ 46,443,700	\$45,064,595	\$ (1,379,105)

Accruals and payables are recorded as liabilities in the Library's financial system. To reconcile cash with the Pierce County Treasurer's cash, expenditures must be adjusted through the subtraction of the variance between ending years. Accruals and payables were recorded at the end of the fiscal year as follows:

Fund	2021	2022	Variance
General Fund	\$ 226,775	\$ 208,296	\$ (18,479)
Future Uses Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Levy Sustainability Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Election Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Property and Facility Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Debt Service Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Capital Improvement Project Fund	\$ 8,618	\$ - 0 -	\$ (8,618)
Total all Funds:	\$ 235,393	\$ 208,296	\$ (27,097)

Budgeted amounts are authorized to be transferred between departments within any fund or object classes within departments; however, any revisions that alter the total expenditures of a fund must be approved by the Library's legislative body. Approved transfers between funds were as follows:

From	To	Original Appropriated Transfer	Change to Transfer Approved	Actual Transfer Amount
General Fund	Capital Projects Fund	\$ 1,100,000	\$ 4,673,200	\$ 5,773,200
General Fund	Property and Facility Fund	\$ 1,173,200	\$ (1,173,200)	\$ - 0 -
Property & Facility Fd	Capital Projects Fund	\$ - 0 -	\$ 1,000,000	\$ 1,000,000
	Total Transfers	\$ 2,273,200	\$ 4,500,000	\$ 6,773,200

No budget amendments were performed for fiscal year 2022.

Note 3 – Deposits and Investments

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

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

Investments are reported at original cost. Investments by type at December 31, 2022 were as follows:

Type of Investment	Library Investments (held by Pierce County Treasurer)	Investment Held by Library as Agent for Other Organizations	Total
State Local Government Investment Pool (L.G.I.P.)	\$ 36,737,226	\$ - 0 -	\$ 36,737,226

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

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Note 4 – Property Tax

The Pierce County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed at the end of each month.

Property tax revenues are recognized when cash is received by the Library. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied. A portion of annual property taxes received are deposited directly to the Levy Sustainability Fund and are declared as “committed” funds to pay for future Library operations when operational costs exceed revenue.

Note 5 – Long-Term Debt

A. Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the Library and summarizes the Library’s debt transactions for the year ended December 31, 2022.

The Library carries no debt of any form.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the Library’s full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans: Public Employee’s Retirement System (PERS) Plans 1, 2 or 3.

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

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

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

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

At June 30, 2022 (the measurement date of the plans), the Library's proportionate share of the collective net pension liabilities was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 730,570	0.119206 %	\$ 3,319,133
PERS 2/3	\$ 1,227,950	0.152850 %	\$ (5,668,872)
Total	\$ 1,958,520		\$ (2,349,739)

Note 7 – Risk Management

A. Risk and Insurance

The Library's risks are typical for libraries, and include such areas as theft, destruction of property, automobiles, accidents/injuries by staff and customers, legal, liability, safety and hazards, underground storage tanks of fuel, water damage, differences in conditions, and earthquakes. The Library's response is to purchase and maintain a level of insurance that adequately covers these risks both in individual coverage areas and in umbrella policies. Annual renewals are paid out of the Library's general fund. The insurers of the Library's policies and deductibles were as follows:

Type of coverage	Insurer	Limits	Deductible
General liability	The Hanover American Ins. Co.	\$2 million aggr.	\$ 1,000
Property	The Hanover American Ins. Co.	\$2 million aggr.	\$ 1,000
Property (Lakewood only)	Kingsdale Insurance Co.	\$2.5 million aggr.	\$ 50,000
Automotive	Allmerica Financial Benefit Ins. Co.	\$1 million	\$ 1,000
Umbrella/Excess	Hanover Insurance Co., Travelers Property Casualty Co., andNavigators Insurance Co.	\$50 million aggr.	N/A
Difference in conditions / flood / earthquake	General Security Indemnity Co., Steadfast Insurance Co., and Transverse Speciality Insurance Co.	\$20 million	\$ 25,000 to \$ 50,000
Management liability	Continental Casualty (CNA), Great American E&S Ins. Co., and Westchester Fire Ins. Co.	\$15 mil aggr.	\$ 10,000 to \$ 25,000
Cyber liability	Obsidian Speciality Ins. Co.	\$1 million	\$ 10,000
Pollution liability	Crum & Forster Specialty Ins. Co.	\$5 million aggr.	\$ 50,000

The Library has a Safety Committee that performs quarterly inspections of all Library properties; monitors and reviews safety-related concerns and reports; and makes recommendations for safety improvements.

The Library has a Risk Management Committee made up of a cross-section of management and staff. The purpose of this committee is to implement processes and procedures to respond to specific incidents.

B. Self-Insurance

The Library is self-insured for unemployment claims and reimburses actual claims paid through the State of Washington Employment Security Department. Claims are paid on a quarterly basis using the cash basis of accounting. The total paid was \$38,566 in 2022. The Library annually budgets a portion of its general fund to cover estimated claims. In 2022, the budget was \$50,000 which covered actual claims paid. No other reserve for self-insurance has been established as the potential liability is not considered to be material to the financial statements.

Note 8 – Leases (Lessees)

During the year ended 2022, the Pierce County Library adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. This requirement resulted in the addition of a lease liability reported on the Schedule of Liabilities.

DuPont:

Pierce County Library leases a building from Elite Property Investments under lease agreement of 5 years. The lease began in May of 2021 and will end April of 2026 and include the option to cancel after the 5 years. The contracted lease amount is \$8,505.86 for January through April 2022 and \$8,761.04 for May through December 2022.

Milton:

Pierce County Library leases a building from Surprise Lake Square LLC under lease agreement of 5 years. The lease began in June of 2020 and will end May of 2025 and include the option to cancel after the 5 years. The contracted lease amount is \$8,560.59 for January through May 2022 and \$8,817.41 for June through December 2022.

Orting:

Pierce County Library leases a building from the City of Orting under lease agreement of 1 year for \$3,400 a month. The lease began in January of 2022 and will end December of 2022 and include the option to extend.

Pitney Bowes:

Pierce County Library leases a postage meter from Pitney Bowes for \$277.21 per month under a 5-year lease agreement.

Ricoh:

Pierce County Library contracted 24 leases for copiers from Ricoh under 5-year lease agreements. Contracts range from start date April 2018 to May 2021 and end from April 2023 to May 2026. Expenses per contract range from \$99 to \$560 per month.

Year ended December 31	Total
2023	267,797.57
2024	257,690.94
2025	196,220.07
2026	46,610.48
2027	-
2028-2032	-
2033-2037	-
Total	768,319.06

Note 9 – Other Disclosures

A. Pollution Remediation

In 2017 the Buckley Library was determined to have, and independently confirmed to have, ground contaminated with (1) certain gasolines from a gas station's underground storage tanks, which had been removed in 1983 and (2) oil and other contaminants from a welding shop. Both of these businesses used to operate on the premises prior to the Library's purchase of the property in 1989. The Library continues to work with an independent contractor and the Washington State Department of Ecology to assess the full scope, nature, and extent of the contamination. In early 2019, the Library was accepted into the state of Washington's Volunteer Cleanup Program (VCP) and will be identifying subsequent plans for remediation, estimated costs, and time schedule. In 2022, \$51,419 was spent on the main contractor to continue work on the premises for analysis of contamination and to perform measurements. In 2022, an estimated construction cost was set at approximately \$729,000, and the plan was approved by Department of Ecology. Because of other unknown factors until construction occurs, the Library established a \$1,000,000 budget from existing fund to be used in 2023. Cost recovery will proceed throughout 2023, to include filing insurance claims and pursuing grants.

**Pierce County Rural Library District
Notes to the Financial Statements
For the year ended December 31, 2021**

Note 1 – Summary of Significant Accounting Policies

The Pierce County Rural Library District (“Library”) was established by a vote of the people of Pierce County on November 7, 1944. The Pierce County commissioners subsequently appointed the first Pierce County Library Board of Trustees on June 1, 1945. The Library operates under the laws of the state of Washington applicable to a rural county library district (RCW Chapter 27.12). The Library is a special purpose local government and provides library services to the general public, and is designated with taxing authority as a junior taxing district.

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

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

A. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

Special Revenue Funds

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

The Library maintains four special revenue funds, and calls them the “Future Uses Fund”, “Levy Sustainability Fund”, “Election Fund”, and “Property and Facility Fund”. As of 12/31/2021, the all funds held in the “Future Uses Fund” were distributed between the “Election Fund” and the “Property and Facility Fund”.

Debt Service Funds

These funds account for the financial resources that are restricted, committed, or assigned to expenditures for principal, interest and related costs on general long-term debt.

Capital Projects Funds

These funds account for financial resources which are restricted, committed, or assigned for the acquisition or construction of capital facilities or other capital assets.

The Library calls this fund as the “Capital Projects Fund.”

While the Library employs these five funds as distinct funds in the Library’s financial system, the General Fund, Future Uses Fund, Levy Sustainability Fund, and Capital Projects Fund are recorded as a single General Fund in the Pierce County Treasurer’s system. The reconciliation process is based on combining all four fund transactions in the Library’s financial system and comparing it to the one General Fund maintained in the Pierce County Treasurer’s system. The Debt Service Fund remains a singular fund in both the Library’s and Pierce County Treasurer’s systems and is reconciled accordingly.

B. Basis of Accounting and Measurement Focus

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

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

C. Cash and Investments

See Note 3, *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 one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Represented Employees: Vacation leave may be accumulated up to 240 hours and is payable upon separation of employment. Sick leave may be accumulated indefinitely and, upon separation or

retirement, eligible employees hired before January 1, 2004 may receive payment of 30% of their sick leave balance up to a maximum of 1,200 hours. Compensatory time may be accumulated up to 24 hours and is payable upon separation of employment. Payments are recognized as expenditures when paid.

Non-Represented Employees: Vacation leave may be accumulated up to 280 hours and is payable upon separation of employment. Sick leave may be accumulated indefinitely and, upon separation or retirement, eligible employees may receive payment of 30% of their sick leave balance up to a maximum of 1,200 hours. Compensatory time, if eligible may be accumulated up to 24 hours and is payable upon separation of employment. Payments are recognized as expenditures when paid.

Substitute Employees: No accumulation of vacation and sick leave, but may be eligible for Washington State's extension to the Family Medical Leave Act.

In response to COVID-19, in 2020 both federal and state governments made it mandatory to implement several leave types for all employees under certain situations related to COVID. Some of these leave types continued into 2021. None of these leave types are accrued and are therefore not calculated as compensated absences.

F. Long-Term Debt

See Note 5, *Long-Term Debt*.

G. Reserved Portion of Ending Cash and Investments

On December 31, 2021, the Library did not hold any funds in reserve in the General Fund, Debt Service Fund, or Capital Projects Fund.

In the Future Uses Fund and the Levy Sustainability Fund, Beginning and Ending Cash and Investments are reported as "restricted" when it is subject to restrictions on use imposed by external parties or as "committed" due to internal commitments established by the Library Board of Trustees, the Library's highest governing body. When expenditures that meet restrictions are incurred, the Library intends to use designated committed resources first before using unreserved amounts.

Reservations of Ending Cash and Investments in the Future Uses Fund consist of the following:

Committed as of 12/31/2021	Amount
Election Set-Aside	\$ - 0 -
Land and Property Acquisition	\$ - 0 -
Total Committed	\$ - 0 -

Reservations of Ending Cash and Investments in the Levy Sustainability Fund consist of the following:

Committed as of 12/31/2021	Amount
Levy Sustainability	\$ 10,795,000
Total Committed	\$ 10,795,000

Reservations of Ending Cash and Investments in the Election Fund consist of the following:

Committed as of 12/31/2021	Amount
Election	\$ 1,101,347
Total Committed	\$ 1,101,347

Reservations of Ending Cash and Investments in the Property and Facility Fund consist of the following:

Committed as of 12/31/2021	Amount
Property and Facility	\$ 3,319,930
Total Committed	\$ 3,319,930

Note 2 – Budget Compliance

A. Budgets

The Library adopts annual appropriated budgets for all funds except the debt service fund, which is inactive other than receiving delinquent tax and investment interest. These budgets are appropriated at the fund level. The budgets constitute the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end. With Board of Trustees approval, the Library may amend the appropriated budget within the fiscal year at any time and as many times needed to conduct its business.

Annual appropriated budgets and any amended budgets are adopted on the same basis of accounting as used for financial reporting. The final appropriated budget is the latest adopted budget for the fiscal year and is reported in the financial reports. In 2021, no amending budget occurred.

The final appropriated and actual expenditures for the legally adopted budgets were as follow:

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$ 39,397,900	\$ 39,397,470	\$ 430
Future Uses Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Levy Sustainability Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Election Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Property and Facility Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Debt Service Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Capital Projects Fund	\$ 2,095,000	\$ 1,275,569	\$ 819,431
Total all Funds	\$ 41,492,900	\$ 40,673,039	\$ 819,861

Accruals and payables are recorded as liabilities in the Library's financial system. To reconcile cash with the Pierce County Treasurer's cash, expenditures must be adjusted through the subtraction of the variance between ending years. Accruals and payables were recorded at the end of the fiscal year as follows:

Fund	2020	2021	Variance
General Fund	\$ 183,556	\$ 412,093	\$ 228,537
Future Uses Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Levy Sustainability Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Election Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Property and Facility Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Debt Service Fund	\$ - 0 -	\$ - 0 -	\$ - 0 -
Capital Improvement Project Fund	\$ 253	\$ 6,698	\$ 6,445
Total all Funds:	\$ 183,809	\$ 418,791	\$ 234,982

Budgeted amounts are authorized to be transferred between departments within any fund or object classes within departments; however, any revisions that alter the total expenditures of a fund must be approved by the Library's legislative body. Approved transfers between funds were as follows:

From	To	Original Appropriated Transfer	Change to Transfer Approved	Actual Transfer Amount
General Fund	Capital Projects Fund	\$ - 0 -	\$ 3,500,000 -	\$ 3,500,000
General Fund	Election Fund	\$ 80,000	\$ - 0 -	\$ 80,000
General Fund	Property and Facility Fund	\$ 300,000	\$ - 0 -	\$ 300,000
Future Uses Fund	Election Fund	\$ - 0 -	\$ 1,038,408	\$ 1,038,408
Future Uses Fund	Property and Facility Fund	\$ - 0 -	\$ 3,070,376	\$ 3,070,376
Total Transfers		\$ 380,000	\$ 7,608,784	\$ 7,988,784

The budget amendments and transfers for both funds were conducted in response to COVID (see Note 8, *Other Disclosures*, Special Items).

Note 3 – Deposits and Investments

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

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

Investments are reported at original cost. Investments by type at December 31, 2021 were as follows:

Type of Investment	Library Investments (held by Pierce County Treasurer)	Investment Held by Library as Agent for Other Organizations	Total
State Local Government Investment Pool (L.G.I.P.)	\$ 30,466,213	\$ - 0 -	\$ 30,466,213

The Library is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The pool is not rated and not registered

with the SEC. Rather, oversight is provided by the State Finance Committee in accordance with Chapter 43.250 RCW. Investments in the LGIP are reported at amortized cost, which is the same as the value of the pool per share. The LGIP does not impose any restrictions on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone financial report for the pool. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at www.tre.wa.gov.

Note 4 – Property Tax

The Pierce County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed at the end of each month.

Property tax revenues are recognized when cash is received by the Library. Delinquent taxes are considered fully collectible because a lien affixes to the property after tax is levied. A portion of annual property taxes received are deposited directly to the Levy Sustainability Fund and are declared as “committed” funds to pay for future Library operations when operational costs exceed revenue.

Note 5 – Long-Term Debt

A. Debt Service

The accompanying Schedule of Liabilities (09) provides more details of the outstanding debt and liabilities of the Library and summarizes the Library’s debt transactions for the year ended December 31, 2021.

The Library carries no debt of any form.

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all the Library’s full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans: Public Employee’s Retirement System (PERS) Plans 1, 2 or 3.

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

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

Department of Retirement Systems
Communications Unit
P.O. Box 48380

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

At June 30, 2021 (the measurement date of the plans), the Library's proportionate share of the collective net pension liabilities was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$ 893,278	0.119922 %	\$ 1,464,528
PERS 2/3	\$ 1,426,882	0.150631 %	(\$15,005,271)
Total	\$ 2,320,160		(\$13,540,743)

Note 7 – Risk Management

A. Risk and Insurance

The Library's risks are typical for libraries, and include such areas as theft, destruction of property, automobiles, accidents/injuries by staff and customers, legal, liability, safety and hazards, underground storage tanks of fuel, water damage, differences in conditions, and earthquakes. The Library's response is to purchase and maintain a level of insurance that adequately covers these risks both in individual coverage areas and in umbrella policies. Annual renewals are paid out of the Library's general fund. The insurers of the Library's policies and deductibles were as follows:

Type of coverage	Insurer	Limits	Deductible
General liability	The Hanover American Ins. Co.	\$2 million aggr.	\$ 1,000
Property	The Hanover American Ins. Co.	\$2 million aggr.	\$ 1,000
Automotive	The Hanover American Ins. Co.	\$1 million	\$ 1,000
Umbrella/Excess	Allmerica Financial Benefit Ins., Burlington Insurance Co.,Fireman's Fund Insurance Co., and Liberty Insurance Surplus Co.	\$50 million aggr.	N/A
Difference in conditions / flood / earthquake	Steadfast Insurance Co.	\$20 million	\$ 25,000 to \$ 50,000
Management liability	Continental Casualty (CNA)	\$10 mil aggr.	\$ 10,000 to \$ 25,000
Cyber liability	Philadelphia Indemnity Ins. Co.	\$1 million	\$ 10,000
Pollution liability	Crum & Forster Specialty Ins. Co.	\$5 million aggr.	\$ 50,000
Pollution liability— underground storage tanks	Colony Insurance Company	\$1 million aggr.	\$ 10,000

The Library has a Safety Committee that performs quarterly inspections of all Library properties; monitors and reviews safety-related concerns and reports; and makes recommendations for safety improvements.

The Library has a Risk Management Committee made up of a cross-section of management and staff. The purpose of this committee is to implement processes and procedures to respond to specific incidents. This team handled the Library's response to COVID.

B. Self-Insurance

The Library is self-insured for unemployment claims and reimburses actual claims paid through the State of Washington Employment Security Department. Claims are paid on a quarterly basis using the cash basis of accounting. The total paid was \$20,395 in 2021. The Library annually budgets a portion of its general fund to cover estimated claims. In 2021, the budget was \$30,000 which covered actual claims paid. No other reserve for self-insurance has been established as the potential liability is not considered to be material to the financial statements.

Note 8 – Other Disclosures

A. Pollution Remediation

In 2017 the Buckley Library was determined to have, and independently confirmed to have, ground contaminated with (1) certain gasolines from a gas station's underground storage tanks, which had been removed in 1983 and (2) oil and other contaminants from a welding shop. Both of these businesses used to operate on the premises prior to the Library's purchase of the property in 1989. The Library continues to work with an independent contractor and the Washington State Department of Ecology to assess the full scope, nature, and extent of the contamination. In early 2019, the Library was accepted into the state of Washington's Volunteer Cleanup Program (VCP) and will be identifying subsequent plans for remediation, estimated costs, and time schedule. In 2021, \$64,940 was spent on contractors to continue work on the premises for analysis of contamination and to perform measurements. Until the VCP program has (1) accepted the Library's final report on the full extent and nature of the contamination and (2) approved an engineering design for remediation, no estimated cost is available.

Note 9 – 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.

The Pierce County Library System proactively implemented safety measures for both staff and customers, and operations have continued with staff returning to the office while providing teleworking options to reduce the number of people in proximity during an average workweek. Management continues to monitor the situation for any operational or financial effects and is ready to respond as needed.

The Library absorbed a permanent loss of between \$500,000 and \$750,000 from fees from overdue materials, services such as printing or copier charges, and donations. In response, Library management prepared the 2021 fiscal year budget to incorporate the losses and implemented strategies to mitigate cash flow concerns henceforth. Property taxes, the main source of the Library's revenue, exhibited stability and predictability through the fiscal year.

The length of time these measures will continue to be in place, and the full extent of the direct or indirect financial impact on the district is unknown at this time.

**Pierce County Rural Library District
Schedule of Liabilities
For the Year Ended December 31, 2023**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.56	Equipment Lease-Pitney Bowes	10/31/2025	9,425	-	3,327	6,098
263.56	Equipment Lease-Ricoh		112,677	89,270	51,322	150,625
263.56	SBITA - Polaris	5/31/2027	-	890,114	209,613	680,501
263.56	SBITA - MSDS	4/14/2024	2,737	-	2,737	-
263.56	SBITA - Silkroad	8/7/2024	18,422	-	18,422	-
263.56	Building Lease- DuPont	4/30/2026	371,005	-	106,736	264,269
263.56	Building Lease- Milton	5/31/2025	265,012	-	98,843	166,169
263.56	Building Lease-Orting	1/1/2024	10,200	42,800	42,300	10,700
263.56	Building Lease-Lakewood	8/31/2033	-	3,022,845	115,000	2,907,845
Total General Obligation Debt/Liabilities:			789,478	4,045,029	648,300	4,186,207
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Combined Compensated Absences		1,663,990	14,171	-	1,678,161
259.12	Compensated Absences- Shared Leave		6	3,524	3,515	15
264.30	Pension Liability PERS 1		3,319,133	-	757,999	2,561,134
Total Revenue and Other (non G.O.) Debt/Liabilities:			4,983,129	17,695	761,514	4,239,310
Total Liabilities:			5,772,607	4,062,724	1,409,814	8,425,517

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
General Obligation Debt/Liabilities						
263.56	Building Lease- DuPont	4/30/2026	473,840	-	102,835	371,005
263.56	Building Lease- Milton	5/31/2025	369,848	-	104,836	265,012
263.56	Building Lease-Orting	12/31/2022	40,800	-	30,600	10,200
263.56	Equipment Lease-Pitney Bowes	10/31/2025	12,752	-	3,327	9,425
263.56	Equipment Lease-Ricoh		156,654	-	43,976	112,678
Total General Obligation Debt/Liabilities:			1,053,894	-	285,574	768,320
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Combined Compensated Absences		1,724,060	-	60,070	1,663,990
259.12	Compensated Absences - Shared Leave		113	10,873	10,980	6
264.30	Pension Liability PERS 1		1,464,528	1,854,605	-	3,319,133
Total Revenue and Other (non G.O.) Debt/Liabilities:			3,188,701	1,865,478	71,050	4,983,129
Total Liabilities:			4,242,595	1,865,478	356,624	5,751,449

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

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Combined Compensated Absences		1,485,215	238,845	-	1,724,060
264.30	Pension Liability PERS 1		4,173,204	-	2,708,676	1,464,528
264.30	Pension Liability PERS 2/3		1,903,540	-	1,903,540	-
Total Revenue and Other (non G.O.) Debt/Liabilities:			7,561,959	238,845	4,612,216	3,188,588
Total Liabilities:			7,561,959	238,845	4,612,216	3,188,588

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. 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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