



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Sno-Isle Regional Library

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

Published December 30, 2024

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

December 30, 2024

Board of Trustees
Sno-Isle Regional Library
Marysville, Washington

Report on Financial Statements

Please find attached our report on the Sno-Isle Regional Library'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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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*

Sno-Isle Regional Library January 1, 2023 through December 31, 2023

Board of Trustees
Sno-Isle Regional Library
Marysville, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Sno-Isle Regional Library, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated December 20, 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 audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However,

this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy, State Auditor

Olympia, WA

December 20, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Sno-Isle Regional Library January 1, 2023 through December 31, 2023

Board of Trustees
Sno-Isle Regional Library
Marysville, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the Sno-Isle Regional Library, as of and for the year ended December 31, 2023, and the related notes to the financial statements, as listed in the financial section of our report.

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

As described in Note 1, the District has prepared these financial statements to meet the financial reporting requirements of state law and accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the Sno-Isle Regional Library, and its changes in cash and investments, for the year ended December 31, 2023, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Sno-Isle Regional Library, as of December 31, 2023, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

Matter Giving Rise to Adverse Opinion on U.S. GAAP

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the District in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other

records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 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 fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

December 20, 2024

FINANCIAL SECTION

Sno-Isle Regional Library January 1, 2023 through December 31, 2023

FINANCIAL STATEMENTS

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2023

Sno-Isle Regional Library
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

Beginning Cash and Investments

308	Beginning Cash and Investments	72,860,375
388 / 588	Net Adjustments	-

Revenues

310	Taxes	64,026,392
320	Licenses and Permits	-
330	Intergovernmental Revenues	1,816,742
340	Charges for Goods and Services	30,119
350	Fines and Penalties	51,774
360	Miscellaneous Revenues	2,903,012
Total Revenues:		68,828,039

Expenditures

510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	-
570	Culture and Recreation	62,649,851
Total Expenditures:		62,649,851
Excess (Deficiency) Revenues over Expenditures:		6,178,188

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	-
397	Transfers-In	-
385	Special or Extraordinary Items	80,000
381, 382, 389, 395, 398	Other Resources	36,338
Total Other Increases in Fund Resources:		116,338

Other Decreases in Fund Resources

594-595	Capital Expenditures	1,450,991
591-593, 599	Debt Service	710,717
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		2,161,708

Increase (Decrease) in Cash and Investments: 4,132,818

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	1,749,389
50841	Committed	-
50851	Assigned	-
50891	Unassigned	75,243,803
Total Ending Cash and Investments		76,993,192

The accompanying notes are an integral part of this statement.

Sno-Isle Regional Library
Fiduciary Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2023

		Total for All Funds (Memo Only)	Custodial
308	Beginning Cash and Investments	277,992	277,992
388 & 588	Net Adjustments	-	-
310-390	Additions	172,545	172,545
510-590	Deductions	219,283	219,283
	Net Increase (Decrease) in Cash and Investments:	(46,738)	(46,738)
508	Ending Cash and Investments	231,254	231,254

The accompanying notes are an integral part of this statement.

SNO-ISLE REGIONAL LIBRARY DISTRICT
Notes to Financial Statements

For the Year Ended December 31, 2023

Note 1 - Summary of Significant Accounting Policies

The Sno-Isle Regional Library District (“District”) was incorporated in 1945 and operates under Chapter 27.12 RCW, the laws of the State of Washington applicable to a library district. The District is a special purpose local government and provides library services.

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

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed, but are not included in the financial statements (see Note 8 – Library Capital Facility Areas, Note 9 – Sno-Isle Libraries Foundation – Related Party, and Note 10 - Darrington Rural Partial County Library District).
- 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 for proprietary and fiduciary funds are presented using classifications that are different from the ending net position classifications 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.

FIDUCIARY FUND TYPES:

Fiduciary funds account for assets held by the government in a trustee capacity or as a custodian on behalf of others.

Custodial Funds

These funds are used to account for assets that the government holds on behalf of others in a custodial capacity.

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 District also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 4, *Deposits and Investments*.

D. Capital Assets

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

E. Compensated Absences

Vacation leave may be accumulated up to 240 hours and is payable upon separation or retirement. The District's estimated liability for vacation pay on December 31, 2023 was \$2,156,370. Sick leave may be accumulated indefinitely. Upon separation or retirement regular benefited employees with 15 years of service or more shall receive a cash payment equal to twenty percent of a maximum of 960 hours of the employee's total accrued but unused sick leave hours, multiplied by the employee's base hourly rate in effect on the separation date. The District's estimated liability for sick leave on December 31, 2023 was \$474,208. Payments are recognized as expenditures when paid.

F. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when subject to restrictions on use imposed by external parties or due to internal commitments established by the governing body. When expenditures that meet restrictions are incurred, the District intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of:

Edmonds Building Fund

The District holds \$102,416 for the City of Edmonds for future library building projects.

Lynnwood Building Fund

The District holds \$1,227,873 for the City of Lynnwood for future library building projects.

Mill Creek Building Fund

The District holds \$340,646 for the City of Mill Creek for future library building projects.

Lake Stevens Building Fund

The District holds \$1,483 for the City of Lake Stevens for future library building projects.

Snohomish Library Building Fund (formerly Snohomish LCFA)

The District holds \$76,970 designated for capital expenditures benefiting the Snohomish Library for future library building projects. This fund (829) balance was added effective December 31, 2020 as the governing body of the Snohomish Library Capital Facility Area (SLCFA) passed a resolution to dissolve the SLCFA and directed the transfer of all funds

remaining in the SLCFA *Bond Fund* and *Project Fund* to be applied solely for capital expenditures at the Snohomish Library. (Ref. SLCFA Resolution 2020-01.)

Darrington PCLD

In 2023, the District held and spent \$80,000 from the Darrington PCLD Fund on library building projects for the Darrington Library. The District now holds \$0 for the Darrington Library Building Fund for future library building projects.

Note 2 – Budget Compliance

The District adopts an annual appropriated budget for general obligations in the General Fund. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

The annual appropriated budget is adopted on the same basis of accounting as used for financial reporting. Budgeted amounts are authorized to be transferred between departments within any fund; however, any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the District's governing body.

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

Fund/Department	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund: 001	\$ 77,125,345	\$ 64,811,559	\$ 12,313,786

Note 3 - Property Tax

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

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

Sno-Isle Regional Library District's regular levy for the year 2023 was \$0.3108676229 per \$1,000 as follows:

County	Assessed Valuation	Levy
Snohomish County	\$183,174,605,893	\$56,943,054
Island County	\$ 23,339,378,906	\$ 7,255,457
Total (Joint) Counties	\$206,513,984,799	\$64,198,511

Note 4 – Deposits and Investments

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

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

Investments in the State Local Government Investment Pool (LGIP)

The District is a voluntary participant in the Local Government Investment Pool, an external investment pool operated by the Washington State Treasurer. The 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.

Investments in Snohomish County Investment Pool (SCIP)

The District is a voluntary participant in the Snohomish County Investment Pool, an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC; rather, oversight “is provided by the Snohomish County Finance Committee in accordance with RCW 36.48.070. The District reports its investment in the pool at amortized cost, which is the same as the value of the pool per share. The SCIP does not impose liquidity fees or redemption gates on participant withdrawals.

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

Type of Investment	District’s Own Investments	Investments held by District as an agent for local governments, individuals, or private organizations*	Total
Bank deposits	\$21,311,481	\$ 99,037	\$ 21,410,518
L.G.I.P.	\$28,251,911	\$ 132,225	\$28,384,136
S.C.I.P.	\$27,429,800	\$ - 0 -	\$27,429,800
Total	\$76,993,192	\$ 231,263**	\$77,224,455

*The Darrington Partial County Library District (PCLD) has established a reserve fund for future library capital projects with the Library District as the reserve fund custodian. The Darrington PCLD reserve fund is held by the Snohomish County Treasurer as its agent for the Library District

**The ending balance reflects a \$9 investment disbursement recorded in 2023 by the Skagit County Treasurer for the Darrington PCLD, but that was not received by the District until 2024, resulting in a difference of \$9 from the C-5 Statement.

Note 5 – Leases (Lessees)

The District leases storefront property from Smokey Point Place IV, LLC. for \$7,858 per month plus triple net lease (NNN) costs and will increase to \$9,225 per month plus NNN. The lease began in March 2023 under a lease agreement that is 3 years in length. The lease began in March of 2023 and will end February of 2026.

The District leases storefront property from Dae Won, LLC. for amounts that ranged from \$5,709.82 to \$5,881.11 per month plus triple net lease (NNN) costs and will increase to \$6,239.27 per month plus NNN under a lease agreement that is 5 years in length. The lease began November of 2021 and will end October 2026. The lease agreement can be cancelled with 6 months’ notice and also has 5, 1-year options to extend after the original 5-year term.

The District leases one specialized printer from US Bank Equipment Finance for \$274.95 per month under a 5 year lease agreement that is not cancellable.

The District leases one postage machine from Pitney Bowes for \$898.11 per quarter under a 5 year lease agreement that is not cancellable.

The District leases 100 copiers and printers from Ricoh that range from \$27.85 to \$1,547.50 per month under multiple lease agreements that range from 3 year to 5 year lease agreements that are not cancellable.

The District entered into a lease agreement for a storage unit from Marysville Barker Real Estate, LLC in December 2023 with the lease to begin in February 2024 for \$4,953.75 per month plus triple net lease (NNN) costs and will increase to \$5,572.30 per month plus NNN. The lease is for 3 years and 1 month and not cancellable. The lease will begin in February 2024 and will end in February 2027.

The total amount paid for leases in 2023 was \$337,702. As of December 31, 2023, the future lease payments are as follows:

Year ended December 31, 2024 Total

2024 \$350,700

2025 \$266,700

2026 \$136,300

2027 \$16,500

Total \$770,200

Note 6 - Pension Plans

Substantially all of the District'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 PERS Plan 1, PERS Plan 2 or PERS Plan 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 (ACFR) that includes financial statements and required supplementary information for each plan. The DRS ACFR may be obtained by writing to:

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

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

At June 30, 2023 (the measurement date of the plans), the District's proportionate share of the collective net pension liabilities, as reported on the Schedule 09, was as follows:

Plan	Employer Contribution	Allocation %	Liability (Asset)
PERS 1	\$1,002,910	.147177%	\$ 3,359,656
PERS 2/3	\$1,672,870	.190267%	(\$ 7,798,429)

Note 7 – Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (“IRC”) Section 457. This Plan is with Empower Retirement. In 2012, the District announced the addition of a second provider for the 457 deferred compensation plan MissionSquare Retirement (formally ICMA-RC). The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The District adopted resolution 99-1 amending the plan to comply with the provisions of IRC Section 457(g) as revised August 20, 1996. Effective January 1, 1999, all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights shall be held in trust until paid or made available to the employee or other beneficiary. Except as may otherwise be permitted or required by law, no assets or income of the plans shall be used for, or diverted to, purposes other than for the exclusive purpose of providing benefits for participants and their beneficiaries or defraying reasonable expenses of the administration of the plan.

Note 8 – Library Capital Facility Areas

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

The District has entered into interlocal agreements with the respective cities and the Snohomish County Council and Board of Island County Commissioners as the administrator for the Snohomish, Monroe, Coupeville, and Camano Island LCFA’s. Upon payment completion of the LCFA’s debt service, the District will take ownership of the libraries in Snohomish, Monroe, Coupeville, and Camano Island.

In December 2020, the Snohomish LCFA debt service was fully paid. The Snohomish LCFA governing body passed Resolution 2020-01 which both dissolved the Snohomish LCFA and directed the transfer of all remaining funds to the District effective December 31, 2020 to be applied solely for capital expenditures at the Snohomish Library. At the time of the dissolution, the Snohomish LCFA assets included \$70,328 in cash funds. The initial cash funds and any additional associated taxes and investment income are held by the Snohomish County Treasurers Office in *Fund 829* and this fund ending balance is consolidated into the District’s financial reporting. Until spent, the cash balance will be included with the District’s *Ending Cash and Investment (BARS: 5083100 Restricted)* since the governing body took formal action to place a restriction on the use of these funds.

The books, records, and financial statements of the Snohomish LCFA, the Monroe LCFA, Coupeville LCFA, and the Camano Island LCFA are available at the District’s administrative office located at 7312 35th Avenue NE, Marysville, WA 98271.

Note 9 – Sno-Isle Libraries Foundation – Related Party

The Sno-Isle Libraries Foundation (“Foundation”) was created in 2000 to create support for vibrant library programs and services for the people of Snohomish and Island counties. To fulfill this mission, the Foundation actively seeks donations from individual donors, planned giving and bequests, as well as corporations, the business community and foundations. The Foundation supports programs which complement, but do not supplant, tax-based funding for the District. Donations enrich collections and create innovative programs that

meet community needs. Sno-Isle Libraries Foundation is a State of Washington non-profit corporation, Federal I.D. #91-2010318.

The District entered into an *Agreement* with Sno-Isle Libraries Foundation in 2012 bringing clarity to the mutually specific obligations and exchange of services underlying their long-standing relationship. The initial term of the Agreement is one year, but the term is automatically extended on each anniversary date unless either party has given written notice of its desire not to extend the Agreement. Annually, the parties identify the District staffing and service requirements and the services and actions the Foundation will undertake for the benefit of the District. These mutually beneficial obligations are described in the form of an Addendum to the Agreement.

Note 10 – Darrington Rural Partial County Library District

The Darrington Rural Partial County Library District (DAR PCLD) is a special purpose district, separate from the Sno-Isle Regional Library District. The Board of County Commissioners of Skagit County recognized and certified the creation of the DAR PCLD by Resolution No 16068 passed February 20, 1996. The DAR PCLD consists of the property in the Darrington School District No. 330, which lies within the boundaries of Skagit County. The DAR PCLD may provide library services only by contracting for the services through an interlocal agreement with an adjacent library district or an adjacent city or town that maintains its own library. An Interlocal Agreement was entered into with the Library District on July 30, 1999 with an effective date of October 28, 1996 through which the Library District began providing library services to the DAR PCLD.

The DAR PCLD has no employees or facilities and contracts with the Library District to act as trustee for its funds. Under the Interlocal Agreement, the Library District agrees to hold funds received by it on behalf of the DAR PCLD. Timber tax receipts are to be used exclusively for capital projects for the Darrington Library. All other service fees received by the Library District are used for general library operations and other expenditures as determined by the Library District's governing board and/or administration. As of December 31, 2023, the Library District held cash and investments of \$149,506 in a fiduciary account for the DAR PCLD.

Separate financial statements for DAR PCLD are available and recorded within the Office of the Washington State Auditor.

Note 11 – Health Reimbursement Account

The Library District funds a Health Reimbursement Account (HRA) for eligible employees participating in the Premier Blue Cross High Deductible Plan. The District contributes \$800 in HRA funds on an annual basis for each eligible employee. These funds can be used by the employee to pay for deductible and co-insurance expenses as outlined in the HRA Document. In 2023, the unused balance was \$779,520. Unused balances are rolled forward until an employee ends their employment at which time the balance reverts to the District.

Note 12 – Risk Management

The District maintains both general commercial property and liability insurance cover provided through *The Hanover Insurance Company*. Library buildings are insured for replacement value up to a maximum of \$45,620,855 per incident with a \$5,000 deductible. The District also carries *Difference in Conditions* coverage through *Everest Indemnity and General Security Indemnity Insurance Companies* limited to \$46,371,909 (\$25,000,000 sublimit) and a 5% deductible. Supplemental policies include *Commercial Automobile, Management Liability, Cyber Liability*, and *Umbrella Liability* policy limited to \$10,000,000 for each occurrence and annual aggregate.

The District operates a self-insurance plan for employee medical, Rx, and vision approved by the State Risk

Manager. The self-insurance plan is administered through *Premiera*. Annual medical claims for 2023 under this plan totaled \$4,392,358. The District maintains an aggregate stop-loss policy with *Lifewise* for claims exceeding \$125,000. In compliance with WAC 200-110-040, the District maintains a *Medical Self-Insurance Reserve* that covers a minimum of 16 weeks of program expenses.

The District self-insures as an individual program for unemployment compensation risk. Claims for unemployment are administered by the Washington State Employment Security Department and invoices are submitted to the District on a quarterly basis, if applicable. Total claims received and paid during the year ended December 31, 2023 were \$23,510. The District maintains a \$40,000 reserve balance in an *Unemployment Reserve* held by the Snohomish County Treasurer for risk mitigation.

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

Note 13 – SBITA (Lessees)

During the year ended December 31, 2023, the District 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.

The District made an annual subscription payment of \$248,241.86 for Library Web Platform Software. The SBITA agreement began in 2022 and is for a 3-year term and includes the option to extend the agreement for two 1-year terms. The payments will increase to \$273,678.16 annually.

The District makes subscription payments of \$5,074 per month for cloud-based communication software. The SBITA agreement began in 2021 is for 6 years and 3 months. The payments will decrease to \$4,993 per month.

The District makes subscription payments of \$11,970 per year for intranet software. The SBITA agreement began in 2023 and is for 3 years.

The District makes subscription payments of \$7,345 per year for customer activity participation software. The SBITA agreement began in 2020 and is for 4 years.

The District made an annual subscription payment of \$36,370.21 for integrated library system software. The SBITA agreement began in 2022 and is for a 3-year term. The payments will increase to \$37,643.17.

The District makes subscription payments of \$200 per month for an employee wellness platform. The SBITA agreement began in 2022 and is for 3 years.

The District makes payments of \$5,000 per year for employee course training license subscriptions. The SBITA agreement began in 2022 and is for 3 years.

The District made an annual subscription payment of \$625 for material safety data sheet subscriptions. The SBITA agreement began in 2019 and is for 5 years. The payments will decrease to \$600 annually.

The District has a subscription for software for its HVAC systems. The SBITA agreement began in 2023 and is for 3 years. The annual cost is \$4,550.48 and the District did not make any payments in 2023.

The District has a subscription for software that notifies library customers when digital devices are due and remotely locks the device if not returned by the due date. The Agreement is for 3 years and began in December 2023 and ends in November 2026. The District prepaid for all 3 years in November 2023.

The District has a subscription for online course software. The agreement is for 3 years and began in November 2021. The District prepaid for all 3 years in 2021.

The total amount paid for leases in 2023 was \$373,015. As of December 31, 2023, the future lease payments are as follows:

Year ended December 31, 2024 Total

2024 \$383,200

2025 \$341,500

2026 \$333,600

2027 \$25,000

Total \$1,083,300

**Sno-Isle Regional Library
Schedule of Liabilities
For the Year Ended December 31, 2023**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences - Sick Leave		450,590	23,618	-	474,208
259.12	Compensated Absences - Vacation		2,218,401	-	62,031	2,156,370
264.30	Pension Liabilities		4,276,704	-	917,048	3,359,656
263.57	Lakewood Smokey Point Storefront Lease	2/28/2026	-	307,500	86,438	221,062
263.57	Mariner Storefront Lease	10/31/2026	275,233	-	74,742	200,491
263.57	Ricoh Copies (various)		319,494	-	169,906	149,588
263.57	HP Specialty Printer	3/31/2026	10,448	-	3,024	7,424
263.57	Pitney Bowes Postage Machine	6/30/2025	8,982	-	3,592	5,390
263.57	Library Web Platform Software Subscription	7/7/2027	1,043,704	-	248,242	795,462
263.57	Cloud Based Communication Software Subscription	4/30/2027	266,006	-	60,888	205,118
263.57	Intranet Software Subscription	3/8/2026	-	35,910	11,970	23,940
263.57	Customer Activity Participation Software Subscription	12/27/2024	7,345	-	7,345	-
263.57	Integrated Library System Software Subscription	4/30/2025	74,013	-	36,370	37,643
263.57	Employee Wellness Platform Subscription	12/31/2024	5,000	-	2,600	2,400
263.57	Course Training License Subscription	2/1/2025	10,000	-	5,000	5,000
263.57	Material Safety Data Software Subscription	8/31/2024	600	-	600	-
263.57	HVAC Software Subscriptions	9/30/2026	-	13,651	-	13,651
Total Revenue and Other (non G.O.) Debt/Liabilities:			8,966,520	380,679	1,689,796	7,657,403
Total Liabilities:			8,966,520	380,679	1,689,796	7,657,403

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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