

**Washington State Auditor's Office**  
**Financial Statements Audit Report**

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**North Olympic Library System**  
**Clallam County**

Audit Period  
**January 1, 2006 through December 31, 2007**

**Report No. 1001416**

Issue Date  
**May 18, 2009**



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

May 18, 2009

Board of Trustees  
North Olympic Library System  
Port Angeles, Washington

***Report on Financial Statements***

Please find attached our report on the North Olympic Library System's financial statements.

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

In addition to this work, we look at other areas of our audit client's operations for compliance with state laws and regulations. The results of that audit will be included in a separately issued accountability report.

Sincerely,

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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Clallam County  
January 1, 2006 through December 31, 2007**

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# Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

## North Olympic Library System Clallam County January 1, 2006 through December 31, 2007

Board of Trustees  
North Olympic Library System  
Port Angeles, Washington

We have audited the financial statements of the North Olympic Library System, Clallam County, Washington, as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated April 22, 2009.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### ***INTERNAL CONTROL OVER FINANCIAL REPORTING***

In planning and performing our audits, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **COMPLIANCE AND OTHER MATTERS**

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

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

This report is intended for the information and use of management and the Board of Trustees. 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, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

April 22, 2009

# Independent Auditor's Report on Financial Statements

## **North Olympic Library System Clallam County January 1, 2006 through December 31, 2007**

Board of Trustees  
North Olympic Library System  
Port Angeles, Washington

We have audited the accompanying financial statements of the North Olympic Library System, Clallam County, Washington, for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

As described in Note 1 to the financial statements, the District prepares its financial statements on the basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the North Olympic Library System, for the years ended December 31, 2007 and 2006, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting

or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

April 22, 2009

# Financial Section

**North Olympic Library System  
Clallam County  
January 1, 2006 through December 31, 2007**

***FINANCIAL STATEMENTS***

Resources and Uses Arising from Cash Transactions – 2007  
Resources and Uses Arising from Cash Transactions – 2006  
Notes to Financial Statements – 2007  
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**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**  
**For The Year Ended December 31, 2007**

BARS Code	Description	General Fund
		Actual Amount
308	Beginning Fund Balance	3,091,610
<b>Revenues and Other Sources</b>		
310	Taxes	2,659,433
330	Intergovernmental Revenues	3,060
340	Charges for Goods and Services	14,852
350	Fines and Penalties	46,910
360	Miscellaneous	420,810
390	Other Financing Sources	214,435
<i>Total Revenues and Other Financing Sources</i>		3,359,500
<b>Total Resources</b>		6,451,110
<b>Operating Expenditures</b>		
572	Library Services	2,686,054
<i>Total Operating Expenditures</i>		2,686,054
591-593	Debt Service	0
594	Capital Expenditures	56,253
598	Other Expenditures	0
<b>Total Expenditures</b>		2,742,307
596, 597, 599	Other Financing Uses	0
<b>Total Expenditures and Other Financing Uses</b>		2,742,307
<b>Excess (Deficit) of Resources Over Uses</b>		3,708,803
380	Nonrevenues (Except 384 and 388.80)	0
580	Nonexpenditures (Except 584 and 588.80)	0
508	<b>Ending Fund Balance</b>	3,708,803

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

**FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS**  
**For The Year Ended December 31, 2006**

BARS Code	Description	General Fund
		Actual Amount
308	Beginning Fund Balance	2,777,965
<b>Revenues and Other Sources</b>		
310	Taxes	2,348,236
330	Intergovernmental Revenues	3,180
340	Charges for Goods and Services	17,651
350	Fines and Penalties	48,731
360	Miscellaneous	165,654
390	Other Financing Sources	315,758
<i>Total Revenues and Other Financing Sources</i>		2,899,210
<b>Total Resources</b>		5,677,175
<b>Operating Expenditures</b>		
572	Library Services	2,542,534
<i>Total Operating Expenditures</i>		2,542,534
591-593	Debt Service	0
594	Capital Expenditures	43,031
598	Other Expenditures	0
<b>Total Expenditures</b>		2,585,565
596, 597, 599	Other Financing Uses	0
<b>Total Expenditures and Other Financing Uses</b>		2,585,565
<b>Excess (Deficit) of Resources Over Uses</b>		3,091,610
380	Nonrevenues (Except 384 and 388.80)	0
580	Nonexpenditures (Except 584 and 588.80)	0
508	<b>Ending Fund Balance</b>	3,091,610

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

**NOTE TO FINANCIAL STATEMENTS****For the Year Ended December 31, 2007****NOTE 1 -- SUMMARY OF ACCOUNTING POLICIES**

The North Olympic Library System is a special purpose government that provides library services to the general public and is supported primarily through property taxes. The District operates under Chapter 27.12 RCW, the laws of the state of Washington applicable to a library district.

**a. Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate.

General (Current Expense) Fund

This fund is the primary operating fund of the District. It accounts for all financial resources.

**b. Basis of Accounting**

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

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

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

**c. Cash**

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

**d. Deposits**

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

**e. Collection Materials**

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

**f. Capital Assets**

Capital assets are long-lived assets of the District and are recorded as capital expenditures when purchased.

**g. Compensated Absences**

Vacation pay may be accumulated up to 375 hours and is payable upon separation or retirement. Sick leave may accumulate indefinitely and 20% is payable upon separation or retirement.

**NOTE 2 -- INVESTMENTS**

The investments are held by the Clallam County Treasurer as its agent in the District's name. Investments by type at December 31, 2007, were as follows:

<i>Type of Investment</i>	<i>Balance</i>
Local Government Investment Pool	\$3,042,282.49

**NOTE 3 -- LONG-TERM DEBT**

As of December 31, 2007, the District had no debt.

**NOTE 4 -- PENSION PLANS**

Substantially all of the full-time and qualifying part-time employees participate in the plans administered by the Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the District's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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

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

**CLALLAM COUNTY RURAL LIBRARY DISTRICT  
DBA NORTH OLYMPIC LIBRARY SYSTEM**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

**NOTE I - SUMMARY OF ACCOUNTING POLICIES**

The North Olympic Library System is a special purpose government that provides library services to the general public and is supported primarily through property taxes. The District operates under Chapter 27.12 RCW, the laws of the state of Washington applicable to a library district.

**a. Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate.

General (Current Expense) Fund is the operating fund of the District. It accounts for all financial resources.

**b. Basis of Accounting**

The accounting records of the District are maintained in accordance with methods prescribed by the State Auditor under the authority of Chapter 43.09 RCW. The Library District uses the *Budgeting, Accounting and Reporting System for Libraries in the State of Washington*.

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

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

**c. Cash**

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

**d. Deposits**

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

**e. Collection Materials**

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

**f. Capital Assets**

Capital assets are long-lived assets of the District and are recorded as capital expenditures when purchased.

**g. Compensated Absences**

Vacation pay may be accumulated up to 375 hours and is payable upon separation or retirement. There is no limit on the amount of sick leave accumulated and 20% is payable upon separation or retirement.

**NOTE 2 – INVESTMENTS**

The investments are held by the Clallam County Treasurer as its agent in the District’s name. Investments by type at December 31, 2005 ,were as follows:

<i>Type of Investment Balance</i>	<i>Amount</i>
Local government investment pool	1,082,607
First Federal Savings of PA	1,553,777
First Federal Saving of PA	100,000
Depository cash	<u>41,581</u>
Total	\$2,630,338

Investments by type at December 31, 2006,were as follows:

<i>Type of Investment Balance</i>	<i>Amount</i>
Local government investment pool	2,736,384
Depository cash	<u>41,581</u>
Total	\$2,777,965

**NOTE 3 - LONG-TERM DEBT**

As of December 31, 2006, the district had no debt.

## **NOTE 4 - PENSION PLANS**

Substantially all of the full-time and qualifying part-time employees participate in the plans administered by the Department of Retirement Systems, under cost-sharing multiple employer public employee defined benefit retirement systems. Actuarial information is on a system-wide basis and is not considered pertinent to the District's financial statements. Contributions to the systems by both employee and employer are based upon gross wages covered by plan benefits.

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



## **ABOUT THE STATE AUDITOR'S OFFICE**

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

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

**State Auditor**  
**Chief of Staff**  
**Deputy Chief of Staff**  
**Chief Policy Advisor**  
**Director of Audit**  
**Director of Special Investigations**  
**Director for Legal Affairs**  
**Director of Quality Assurance**  
**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

**Brian Sonntag, CGFM**  
**Ted Rutt**  
**Doug Cochran**  
**Jerry Pugnetti**  
**Chuck Pfeil, CPA**  
**Jim Brittain, CPA**  
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**Web Site**

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