

Washington State Auditor's Office
Financial Statements Audit Report

North Olympic Library System
Clallam County

Audit Period
January 1, 2008 through December 31, 2009

Report No. 1004922

Issue Date
January 18, 2011



WASHINGTON
BRIAN SONNTAG
STATE AUDITOR



**Washington State Auditor
Brian Sonntag**

January 18, 2011

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.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Clallam County
January 1, 2008 through December 31, 2009**

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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, 2008 through December 31, 2009**

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, 2009 and 2008, and have issued our report thereon dated November 15, 2010.

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 opinion 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 *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.

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 deficiencies, 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 a large initial "B" and "S".

BRIAN SONNTAG, CGFM
STATE AUDITOR

November 15, 2010

Independent Auditor's Report on Financial Statements

North Olympic Library System Clallam County January 1, 2008 through December 31, 2009

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, 2009 and 2008. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 opinion.

As described in Note 1b 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, 2009 and 2008, on the basis of accounting described in Note 1b.

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

November 15, 2010

Financial Section

**North Olympic Library System
Clallam County
January 1, 2008 through December 31, 2009**

FINANCIAL STATEMENTS

Resources and Uses Arising from Cash Transactions – 2009
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FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For The Year Ended December 31, 2009

BARS Code	Description	General Fund
		Actual Amount
308	Beginning Fund Balance	4,279,936
Revenues and Other Sources		
310	Taxes	2,719,859
330	Intergovernmental Revenues	169,665
340	Charges for Goods and Services	13,269
350	Fines and Penalties	48,166
360	Miscellaneous	304,247
390	Other Financing Sources	0
<i>Total Revenues and Other Financing Sources</i>		3,255,207
Total Resources		7,535,143
Operating Expenditures		
572	Library Services	3,030,073
<i>Total Operating Expenditures</i>		3,030,073
591-593	Debt Service	0
594	Capital Expenditures	459,681
598	Other Expenditures	0
Total Expenditures		3,489,754
596, 597, 599	Other Financing Uses	0
Total Expenditures and Other Financing Uses		3,489,754
Excess (Deficit) of Resources Over Uses		
380	Nonrevenues (Except 384 and 388.80)	3,224
580	Nonexpenditures (Except 584 and 588.80)	0
508	Ending Fund Balance	4,048,612

The Accompanying Notes Are An Integral Part Of This Statement.

FUND RESOURCES AND USES ARISING FROM CASH TRANSACTIONS
For The Year Ended December 31, 2008

BARS Code	Description	General Fund
		Actual Amount
308	Beginning Fund Balance	3,708,803
Revenues and Other Sources		
310	Taxes	2,648,206
330	Intergovernmental Revenues	1,680
340	Charges for Goods and Services	15,424
350	Fines and Penalties	51,006
360	Miscellaneous	987,840
390	Other Financing Sources	457,322
<i>Total Revenues and Other Financing Sources</i>		4,161,478
Total Resources		7,870,281
Operating Expenditures		
572	Library Services	2,888,144
<i>Total Operating Expenditures</i>		2,888,144
591-593	Debt Service	0
594	Capital Expenditures	702,201
598	Other Expenditures	0
Total Expenditures		3,590,345
596, 597, 599	Other Financing Uses	0
Total Expenditures and Other Financing Uses		3,590,345
Excess (Deficit) of Resources Over Uses		4,279,936
380	Nonrevenues (Except 384 and 388.80)	0
580	Nonexpenditures (Except 584 and 588.80)	0
508	Ending Fund Balance	4,279,936

The Accompanying Notes Are An Integral Part Of This Statement.

NOTES TO FINANCIAL STATEMENTS**For the Year Ended December 31, 2009****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 an other comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

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

Purchases of capital assets are expensed during the year of acquisition. There is no capitalization of 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 225 hours and is payable upon separation or retirement. Sick leave may accumulate indefinitely. Upon separation or retirement employees receive payment for 20% of unused sick leave hours.

NOTE 2 -- INVESTMENTS

The North Olympic Library System's investments are held by the Clallam County Treasurer as its agent in the District's name. Investments by type at December 31, 2009, were as follows:

<i>Type of Investment</i>	<i>Balance</i>
Local Government Investment Pool	\$1,418,755
6-month Certificate of Deposit	\$1,087,446
12-month Certificate of Deposit	\$ 233,447
12-month Certificate of Deposit	\$ 250,561
6-month Certificate of Deposit	\$ 500,000
12-month Certificate of Deposit	<u>\$ 527,738</u>
Total	\$ 4,017,947

NOTE 3 -- LONG-TERM DEBT

As of December 31, 2009, the District had no debt.

NOTE 4 -- PENSION PLANS

Substantially all of the North Olympic Library System's full-time and qualifying part-time employees participate in the Public Employees Retirement System (PERS) 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

NOTE 5 -- CORRECTIONS IN 2009

Reported non-revenue on line 380 of Resources and Uses in the amount of \$3224 was due to cancellation of two duplicate warrants issued in 2008.

**North Olympic Library System
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2008**

NOTE 1 -- SUMMARY OF ACCOUNTING POLICIES

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

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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, 2008, were as follows:

<i>Type of Investment</i>	<i>Balance</i>
Local Government Investment Pool	\$1,358,965.12
6-month Certificate of Deposit	\$1,000,000.00
6-month Certificate of Deposit	\$ 229,375.07
6-month Certificate of Deposit	\$ 246,190.70
6-month Certificate of Deposit	\$1,045,748.63

NOTE 3 -- LONG-TERM DEBT

As of December 31, 2008, 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

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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