



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Whatcom County Rural Library District

(Whatcom County Library System)

For the period January 1, 2023 through December 31, 2024

Published February 23, 2026

Report No. 1039075



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

February 23, 2026

Board of Trustees
Whatcom County Library System
Bellingham, Washington

Report on Financial Statements

Please find attached our report on Whatcom 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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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*

Whatcom County Library System January 1, 2023 through December 31, 2024

Board of Trustees
Whatcom County Library System
Bellingham, 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 Whatcom County Library System, as of and for the years ended December 31, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated February 17, 2026.

We issued an unmodified opinion on the fair presentation of the District's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the District using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large initial "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

February 17, 2026

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Whatcom County Library System January 1, 2023 through December 31, 2024

Board of Trustees
Whatcom County Library System
Bellingham, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of Whatcom County Library System, as of and for the years ended December 31, 2024 and 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 Whatcom County Library System, and its changes in cash and investments, for the years ended December 31, 2024 and 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 Whatcom County Library System, as of December 31, 2024 and 2023, or the changes in financial position or cash flows thereof for the years then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

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

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

Responsibilities of Management for the Financial Statements

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

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

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 February 17, 2026 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.



Pat McCarthy, State Auditor

Olympia, WA

February 17, 2026

**Whatcom County Library System
January 1, 2023 through December 31, 2024**

FINANCIAL STATEMENTS

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Schedule of Liabilities – 2023

**Whatcom County Rural Library District
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2024**

		Total for All Funds (Memo Only)	001 General	300 Capital
Beginning Cash and Investments				
308	Beginning Cash and Investments	12,138,787	10,612,545	1,526,242
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	9,724,963	9,724,963	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	772,488	78,164	694,324
340	Charges for Goods and Services	30,242	30,242	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	700,122	446,460	253,662
Total Revenues:		11,227,815	10,279,829	947,986
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	10,860,394	10,860,394	-
Total Expenditures:		10,860,394	10,860,394	-
Excess (Deficiency) Revenues over Expenditures:		367,421	(580,565)	947,986
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	94,135	-	94,135
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	7,752	7,752	-
Total Other Increases in Fund Resources:		101,887	7,752	94,135
Other Decreases in Fund Resources				
594-595	Capital Expenditures	312,651	-	312,651
591-593, 599	Debt Service	13,149	13,149	-
597	Transfers-Out	94,135	94,135	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		419,935	107,284	312,651
Increase (Decrease) in Cash and Investments:		49,373	(680,097)	729,470
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	-	-	-
50841	Committed	-	-	-
50851	Assigned	2,255,711	-	2,255,711
50891	Unassigned	9,932,448	9,932,448	-
Total Ending Cash and Investments		12,188,159	9,932,448	2,255,711

The accompanying notes are an integral part of this statement.

**Whatcom 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	300 Capital
Beginning Cash and Investments				
308	Beginning Cash and Investments	12,259,901	10,630,324	1,629,577
388 / 588	Net Adjustments	-	-	-
Revenues				
310	Taxes	9,827,497	9,827,497	-
320	Licenses and Permits	-	-	-
330	Intergovernmental Revenues	157,899	157,899	-
340	Charges for Goods and Services	16,991	16,991	-
350	Fines and Penalties	-	-	-
360	Miscellaneous Revenues	384,578	303,409	81,169
Total Revenues:		10,386,965	10,305,796	81,169
Expenditures				
510	General Government	-	-	-
520	Public Safety	-	-	-
530	Utilities	-	-	-
540	Transportation	-	-	-
550	Natural/Economic Environment	-	-	-
560	Social Services	-	-	-
570	Culture and Recreation	10,190,054	10,190,054	-
Total Expenditures:		10,190,054	10,190,054	-
Excess (Deficiency) Revenues over Expenditures:		196,911	115,742	81,169
Other Increases in Fund Resources				
391-393, 596	Debt Proceeds	-	-	-
397	Transfers-In	45,000	-	45,000
385	Special or Extraordinary Items	-	-	-
381, 382, 389, 395, 398	Other Resources	-	-	-
Total Other Increases in Fund Resources:		45,000	-	45,000
Other Decreases in Fund Resources				
594-595	Capital Expenditures	229,504	-	229,504
591-593, 599	Debt Service	88,524	88,524	-
597	Transfers-Out	45,000	45,000	-
585	Special or Extraordinary Items	-	-	-
581, 582, 589	Other Uses	-	-	-
Total Other Decreases in Fund Resources:		363,028	133,524	229,504
Increase (Decrease) in Cash and Investments:		(121,117)	(17,782)	(103,335)
Ending Cash and Investments				
50821	Nonspendable	-	-	-
50831	Restricted	-	-	-
50841	Committed	-	-	-
50851	Assigned	1,526,242	-	1,526,242
50891	Unassigned	10,612,545	10,612,545	-
Total Ending Cash and Investments		12,138,787	10,612,545	1,526,242

The accompanying notes are an integral part of this statement.

**WHATCOM COUNTY RURAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2024**

Note 1 - Summary of Significant Accounting Policies

Whatcom County Rural Library District was incorporated in 1944 and operates under the laws of the state of Washington applicable to a rural library district. The District is a special purpose local government providing public 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 4 – Component Unit(s), Joint Ventures, and Related Parties.)
- 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 District are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprise its cash and investments, revenues, and expenditures. The District's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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

Capital Projects Fund

This fund accounts for financial resources which are assigned for the acquisition or construction of capital facilities or other capital assets. This includes the capital projects necessary to support

WCLS operations and meet service demands such as new or renovated library facilities, vehicles, or fixtures, furnishings and equipment. The Capital Projects Fund is supported by interest earnings, project specific grant awards or donations, and transfers from the General Fund.

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 uses the Whatcom County Treasurer as their treasurer and under the County's RCW 36.40.200, District expenditures may be recognized during the twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

It is the District's policy to invest all temporary cash surpluses. For further information 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

Vacation leave may be accumulated up to 240 hours at year-end (excess carry-over permitted with approval of the Executive Director or Board of Trustees), and is payable up to a maximum of 240 hours upon separation or retirement. Sick leave may be accumulated up to a maximum of 960 hours. Upon separation or retirement employees do not receive payment for unused sick leave, however, employees whose accrued sick leave exceeds 960 hours may cash out up to eight hours annually. Administrative Leave, or compensatory time, may be accumulated up to a maximum of 40 hours at year-end and is not payable upon separation. The Compensated Absences liability may also include leave that has been used but not paid at year-end. Payments are recognized as expenditures when paid.

F. Liabilities

See Note 5 – Leases, Note 6 – Long-term Liabilities, Note – 7 OPEB Plans, and Note 8 – Pension Plans.

G. Leases and Subscription Based Information Technology Arrangements (SBITA)

Leases are reported as liabilities if the total of payments over the life of the lease is more than \$500. SBITAs are reported as liabilities if the total of payments over the life of the SBITA is more than \$500. For more information see Note 5 – Leases.

H. Restricted and Committed Portion of Ending Cash and Investments

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

The District’s primary source of revenue, property tax collections, is received substantially in the second and fourth quarters. Given this variability in the timing of the receipts of these and other operating revenues, the District designates a portion of its unassigned funds, minimum of thirty-three and one-third percent (33.33%) of budgeted operating expenditures, as unassigned but designated Beginning and Ending Cash Investments to ensure adequate cash flows and to avoid short-term borrowing to fund operating activities. Additionally, the District has designated eight and one-third percent (8.33%) as unassigned but designated Beginning and Ending Cash Investments for emergency use. The District’s Board of Trustees has designated additional unassigned funds for future projects, unanticipated operating expenditures, and facilities maintenance needs. As of December 31, 2024, the unassigned but designated Ending Cash and Investments in the General Fund was \$9,539,286 The remaining unassigned balance was \$393,163 for a total of \$9,932,448 in unassigned funds. The restricted and committed balance is \$0.

The District’s Beginning and Ending Cash and Investments in its Capital Fund are assigned to be used as described in Note 1A. As of December 31, 2024, the Capital Fund assigned balance was \$2,255,711. The restricted and committed balance is \$0.

Note 2 - Budget Compliance

The District adopts annual appropriated budgets for its General and Capital funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$11,181,447	\$10,967,678	\$213,769
Capital Fund	\$2,775,245	\$312,651	\$2,462,594

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 Board of Trustees.

Note 3 – Deposits and Investments

Investments are reported at fair value. Deposits and investments at December 31, 2024 are as follows:

Type of deposit or investment	District's deposits and investments		
	General Fund	Capital Fund	Total
Bank Deposits	\$544,659	\$156,760	\$701,419
Local Government Investment Pool	\$9,412,769	\$2,098,951	\$11,511,720
Cash on Hand (branch change funds, undeposited funds)	\$1,064	\$0.00	\$1,064
Total	\$9,958,492	\$2,255,711	\$12,214,203

It is the District’s policy to invest all temporary cash surpluses. The interest on these investments is prorated to the General and Capital Funds.

Investments in Whatcom County Investment Pool

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

Note 4 – Joint Ventures, Component Unit(s) and Related Parties

Whatcom County Library Foundation (WCLF) is a 501(c)(3) non-profit organization formed in 2005 and governed by a volunteer Board of Directors. WCLF supports library system programs, projects, and services that augment tax-based support through private giving. The District and its patrons are the primary beneficiaries of WCLF.

WCLF supports programs such as providing books to all babies born in Whatcom County and to annual Summer Reading program participants, purchasing books for a program that promotes literacy to at-risk teens, and providing Innovation Grants that support a variety of District initiatives. WCLF often covers the cost of expenses that the District may not incur due to the prohibition of gifting of public dollars, such as refreshments at events or books to give to community members. WCLF is a sponsor of Whatcom READS, an annual county-wide group reading event.

WCLF payments are made directly to vendors on behalf of the District, or as a reimbursement to the District for purchases made related to the above programs. In 2024, WCLF paid a total of \$41,976 to the District for the reimbursement of purchases or to support various District programs. WCLF’s total program and giving related expenses in 2024 were \$46,293. WCLF also reported the following:

Budgeted Revenues	Budgeted Expenditures	Actual Revenues	Actual Expenditures
\$101,500	\$101,500	\$168,535	\$154,779

The financial statements for WCLF can be obtained by contacting wclf@wcls.org.

Note 5 – Leases

The District leases a postage meter from Pitney Bowes. Under a five-year lease agreement, running from March 2023 to March 2028, payments are \$488 per quarter. The amount paid toward this lease in 2024 was \$1,950. There are no options to renew or purchase the equipment at the conclusion of the lease terms.

The District leases three multi-function copier/printers from Ricoh; these are housed at the District’s Administrative Services location, the Ferndale Library, and the Lynden Library. Each machine is under a five-year lease agreement running from February 2020 through February 2025. Upon expiration in 2025, the leases will transition to a month-to-month model, which either party may cancel at any time, therefore only the reportable lease periods through February 2025 are included with future lease payments below. The Administrative Services lease payment is \$739 per month. The lease payments for the units at the Ferndale and Lynden Libraries are \$57 per month each. The total amount paid toward these leases in 2024 was \$11,199; due to a billing error in 2023 there were additional payments in 2024.

The total amount paid for leases in 2024 was \$13,149. As of December 31, 2024, the future lease payments are as follows:

Year ended December 31	Total
2025	\$5,247
2026	\$1,950
2027	\$1,950
2028	\$488
2029-2034	\$0
Total	\$9,635

Note 6 – Long-term Liabilities

During the year ended December 31, 2024, the following changes occurred in compensated absences:

	Beginning Balance 01/01/2024	Additions	Reductions	Ending Balance 12/31/2024
Compensated Absences*	\$295,128	\$257,056	\$0	\$552,184

*additions and reductions are reported as a net change

Note 7 – Other Post Employment Benefit (OPEB) Plans

The District is a participating employer in the state’s Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees on a pay-as-you-go basis. The plan provides OPEB through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately.

Fiscal year 2024	
Number of Active Plan Members	72
Number of Retired Plan Members	1
Contributions made	\$6,984
Total OPEB Liability*	\$1,496,753

*Measured using the alternative measurement method

Note 8 – Pension Plans

State Sponsored Pension Plans

Substantially all 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.

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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan.

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

At June 30, 2024 (the measurement date of the plans), the District’s proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 UAAL	\$154,822	0.025863%	\$459,544
PERS 2/3	\$329,729	0.033499%	\$(1,104,319)

Note 9 - Property Tax

The Whatcom County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed daily.

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.

The District's regular levy for the year 2024 was \$0.25636 per \$1,000 on an assessed valuation of \$38,108,745,790 for a total regular levy of \$9,769,533.

Washington State Constitution and Washington State law, RCW 84.55.010, limit the levy rate.

Note 10 – Risk Management

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

The District maintains individually purchased commercial insurance policies through American Bankers Insurance Company of Florida, Neptune Commercial Flood, Philadelphia Insurance Companies, and Selective Insurance Company of America, to insure property and liability risks. This coverage primarily extends to commercial property, general liability, automobile, directors' and officers' liability, and employment practices liability.

Health and welfare insurance benefits are provided to eligible employees through membership in the state's Public Employees Benefits Board (PEBB) program and premiums paid to Delta Dental and Lincoln National Life Insurance Co. Benefits provided include medical, dental, vision, prescription drug, and long-term disability insurance.

The District self-insures its unemployment compensation obligations through a reimbursable account administered by the Washington State Employment Security Department, and pays the full cost of all unemployment benefits drawn by former employees. For the five-year period from 2020 through 2024, the District incurred total expenses of \$5,603 for unemployment compensation.

Workers' compensation obligations are insured through participation in the Washington State Fund insurance pool administered by the Washington State Department of Labor and Industries. Premiums are paid by a combination of employer and employee contributions, and benefits include medical treatment for workers who are injured in the course of their employment or develop an occupational disease as a result of their work activities.

**WHATCOM COUNTY RURAL LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2023**

Note 1 - Summary of Significant Accounting Policies

Whatcom County Rural Library District was incorporated in 1944 and operates under the laws of the state of Washington applicable to a rural library district. The District is a special purpose local government providing public 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 4 – Component Unit(s), Joint Ventures, and Related Parties.)
- 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 District are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprise its cash and investments, revenues, and expenditures. The District's resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as "memo only" because any interfund activities are not eliminated. The following fund types are used:

GOVERNMENTAL FUND TYPES:

General Fund

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

Capital Projects Funds

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

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 3 - *Deposits and Investments*.

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 or a group of identical assets purchased together whose total cost is 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 a maximum of 240 hours at year-end, and is payable up to 240 hours upon separation or retirement. Sick leave may be accumulated up to a maximum of 960 hours. Upon separation or retirement employees do not receive payment for unused sick leave, however, employees whose accrued sick leave exceeds 960 hours may cash out up to eight hours annually. 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 they are subject to restrictions on use imposed by external parties or due to internal commitments established by Resolution of the District's Board of Trustees. When expenditures that meet restrictions are incurred, the District intends to use the most restricted resources first.

The District's primary source of revenue, property tax collections, is received primarily in the second and fourth quarters. Given the variability in the timing of the receipts of these and other operating revenues, the District designates a portion of its unassigned funds, minimum of thirty-three and one-third percent (33.33%) of budgeted operating expenditures, as unassigned but designated Beginning and Ending Cash Investments to ensure adequate cash flows and to avoid short-term borrowing to fund operating activities. Additionally, the District has designated eight and one-third percent (8.33%) as unassigned but designated Beginning and Ending Cash Investments for emergency use. The District's Board of Trustees

has designated additional unassigned funds for future projects, unanticipated operating expenditures, and facilities maintenance needs. As of December 31, 2023, the unassigned but designated Ending Cash and Investments in the General Fund was \$9,548,382. The remaining unassigned balance was \$1,064,163 for a total of \$10,612,545 in unassigned funds. The restricted and committed balance is \$0.

The District’s Beginning and Ending Cash and Investments in its Capital Fund are assigned to be used for the acquisition or improvement of the real personal property of the District. As of December 31, 2023, the Capital Fund assigned balance was \$1,526,242. The restricted and committed balance is \$0.

Note 2 - Budget Compliance

The District adopts annual appropriated budgets for its General and Capital funds. These budgets are appropriated at the fund level. The budget constitutes the legal authority for expenditures at that level. Annual appropriations for these funds lapse at the fiscal year end.

Annual appropriated budgets are adopted on the same basis of accounting as used for financial reporting.

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

Fund	Final Appropriated Amounts	Actual Expenditures	Variance
General Fund	\$10,970,163	\$ 10,323,576	\$ 646,587
Capital Fund	\$ 603,227	\$ 229,504	\$ 373,722

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 Board of Trustees.

Note 3 – Deposits and Investments

Investments are reported at fair value. Deposits and investments at December 31, 2023 are as follows:

Type of deposit or investment	District's deposits and investments		
	General Fund	Capital Fund	Total
Bank Deposits	\$ 562,129	\$ 126,098	\$ 688,227
Local Government Investment Pool	10,074,721	1,400,143	11,474,864
Cash on Hand (branch change funds, undeposited funds)	1,148	0	1,148
Total	\$10,637,998	\$1,526,241	\$12,164,239

It is the District’s policy to invest all temporary cash surpluses. The interest on these investments is prorated to the General and Capital Funds.

Investments in Whatcom County Investment Pool

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

Note 4 – Joint Ventures, Component Unit(s) and Related Parties

Whatcom County Library Foundation (WCLF) is a 501(c)(3) non-profit organization formed in 2005 and governed by a volunteer Board of Directors. WCLF supports library system programs, projects, and services that augment tax-based support through private giving. The District and its patrons are the primary beneficiaries of WCLF.

WCLF supports programs such as providing books for all babies born in Whatcom County and to annual Summer Reading program participants, purchasing books for a program that promotes literacy to at-risk teens, and providing Innovation Grants that support a variety of District initiatives. WCLF often covers the cost of expenses that the District may not incur due to the prohibition of gifting of public dollars, such as refreshments at events or books to give to community members. WCLF is also a sponsor of Whatcom READS, an annual county-wide group reading event.

WCLF payments are made directly to vendors on behalf of the District, or as a reimbursement to the District for purchases made related to the above programs. In 2023, WCLF paid a total of \$19,473 to the District for the reimbursement of purchases as described above, or to support various District programs. WCLF's total program and giving related expenses in 2023 were \$227,430. There were \$408 in open invoices due from WCLF to the District as of December 31, 2023. No amount was due from the District to WCLF.

Note 5 – Leases

The District leases a postage meter from Pitney Bowes. Under a five-year lease agreement, running from March 2018 to March 2023, payments were \$493 per quarter. The amount paid toward this lease in 2023 was \$493. A subsequent five-year lease with Pitney Bowes runs from March 2023 to March 2028, with payments of \$488 per quarter. The amount paid toward this lease in 2023 was \$1,463, for a total of \$1,955 in lease payments to Pitney Bowes in 2023. There are no options to renew either lease or purchase the equipment at the conclusion of the lease terms.

The District leases three copier/printers from Ricoh; these are housed at the District's Administrative Services location, the Ferndale Library, and the Lynden Library. Each machine is under a five-year lease agreement running from February 2020 through February 2025. Each lease includes the option to renew for another five-years or purchase the machines at the conclusion of the lease period, however, these

options are unlikely to be exercised. The Administrative Services lease payment is \$739 per month. The lease payments for the units at the Ferndale and Lynden Libraries are \$57 per month each. The total amount paid toward these leases in 2023 was \$9,266.

The total amount paid for leases in 2023 was \$11,221. As of December 31, 2023, the future lease payments are as follows:

Year ended December 31	Total
2024	\$13,149
2025	\$5,243
2026	\$1950
2027	\$1950
2028	\$488
2029-2033	\$0
Total	\$22,784

Note 6 – OPEB Plans

The District is a participating employer in the state’s Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees on a pay-as-you-go basis. The plan provides Other Post Employment benefits (OPEB) through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately.

The District had 68 active plan members and one retired plan member as of December 31, 2023. As of December 31, 2023, the District’s total OPEB liability was \$1,449,575 as calculated using the alternative measurement method. The District contributed \$5,729 to the plan for the year ended December 31, 2023.

Note 7 – Pension Plans

State Sponsored Pension Plans

Substantially all 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.

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 that includes financial statements and required supplementary information for each plan.

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 of Liabilities, was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 UAAL	\$ 183,062	.026864%	\$ 613,233
PERS 2/3	\$ 304,629	.034648%	\$ (1,420,112)

Note 8 - Property Tax

The Whatcom County Treasurer acts as an agent to collect property tax levied in the county for all taxing authorities. Collections are distributed daily.

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.

The District's regular levy for the year 2023 was \$.29847 per \$1,000 on an assessed valuation of \$32,368,471,460 for a total regular levy of \$9,660,921.

Note 9 – Risk Management

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

The District maintains individually purchased commercial insurance policies through American Bankers Insurance Company of Florida, Neptune Commercial Flood, Philadelphia Insurance Companies, and Selective Insurance Company of America, to insure property and liability risks. This coverage primarily extends to commercial property, general liability, automobile, directors' and officers' liability, and employment practices liability.

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The District self-insures its unemployment compensation obligations through a reimbursable account administered by the Washington State Employment Security Department, and pays the full cost of all unemployment benefits drawn by former employees. For the five-year period from 2019 through 2023, the District incurred total expenses of \$5,603 for unemployment compensation.

Workers' compensation obligations are insured through participation in the Washington State Fund insurance pool administered by the Washington State Department of Labor and Industries. Premiums are paid by a combination of employer and employee contributions, and benefits include medical treatment for workers who are injured in the course of their employment or develop an occupational disease as a result of their work activities.

Note 10 – SBITA

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 annual subscription payments for its integrated library system (ILS) under a five-year SBITA contract covering August 1, 2018 through July 31, 2023. The contract renews for one-year terms thereafter with both parties having the option to cancel renewal. The portion of the initial term paid in 2023 was \$77,303. This is the total amount paid for SBITAs in 2023.

As of December 31, 2023, the district has \$0.00 in future SBITA payments.

**Whatcom County Rural Library District
Schedule of Liabilities
For the Year Ended December 31, 2024**

ID. No.	Debt ID Title	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities							
259.12	Compensated Absences	Compensated Absences		295,128	257,056	-	552,184
264.30	Pension Liabilities	Net Pension Liability		613,233	-	153,689	459,544
264.40	OPEB Liabilities	Other Post Employment Benefits		1,449,575	47,178	-	1,496,753
263.57	Leases, SBITA, and PPPs	Lease -- Postage Meters		8,289	-	1,950	6,339
263.57	Leases, SBITA, and PPPs	Lease -- Copier/Printers		14,495	-	11,199	3,296
Total Revenue and Other (non G.O.) Debt/Liabilities:				2,380,720	304,234	166,838	2,518,116
Total Liabilities:				2,380,720	304,234	166,838	2,518,116

Whatcom 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
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		277,737	474,848	457,457	295,128
264.30	Net Pension Liability		778,732	-	165,499	613,233
264.40	Other Post Employment Benefits		2,094,548	-	644,973	1,449,575
263.57	Lease -- Postage Meters		493	9,751	1,955	8,289
263.57	Lease -- Copier/Printers		23,761	-	9,266	14,495
263.57	SBITA -- Innovative Interfaces Inc		77,303	-	77,303	-
			3,252,574	484,599	1,356,453	2,380,720
			Total Revenue and Other (non G.O.) Debt/Liabilities:			
			3,252,574	484,599	1,356,453	2,380,720
			Total Liabilities:			
			3,252,574	484,599	1,356,453	2,380,720

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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