



EAST BONNER COUNTY FREE LIBRARY DISTRICT

Sandpoint, Idaho



Audited Financial Statements
For the Year Ended
September 30, 2022

EAST BONNER COUNTY FREE LIBRARY DISTRICT
Sandpoint, Idaho

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
East Bonner County Free Library District
Sandpoint, Idaho 83864

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the General fund of East Bonner County Free Library District, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the General fund of East Bonner County Free Library District as of September 30, 2022, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit 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. 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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 East Bonner County Free Library 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 as a whole 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 generally accepted auditing standards 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.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- 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 East Bonner County Free Library 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 East Bonner County Free Library District's ability to continue as a going concern for a reasonable period of time.

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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 13, the budgetary comparison schedule on pages 36, and the net pension (asset) liability related schedules on page 37. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2023 on our consideration of East Bonner County Free Library 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 solely 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 East Bonner County Free Library 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 East Bonner County Free Library District's internal control over financial reporting and compliance.

Hayden Ross, PLLC

Moscow, Idaho
January 24, 2023



**INDEPENDENT AUDITOR’S 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**

To the Board of Trustees
East Bonner County Free Library District
Sandpoint, Idaho 83864

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General fund of East Bonner County Free Library District, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise East Bonner County Free Library District’s basic financial statements, and have issued our report thereon dated January 24, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Bonner County Free Library 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 East Bonner County Free Library District’s internal control. Accordingly, we do not express an opinion on the effectiveness of East Bonner County Free Library 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 entity’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 in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during



our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Bonner County Free Library 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hayden Ross, PLLC

Moscow, Idaho
January 24, 2023

EAST BONNER COUNTY FREE LIBRARY DISTRICT
Sandpoint, Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2022

As management of East Bonner County Free Library District, our discussion and analysis of East Bonner County Free Library District's financial performance provides an overview and analysis of the financial activities for the fiscal year ending September 30, 2022. We encourage readers to consider the information presented in conjunction with additional information accompanied in the Notes to Financial Statements, which is included in this audit report. Comparative analysis will be done on key elements of the District's governmental fund.

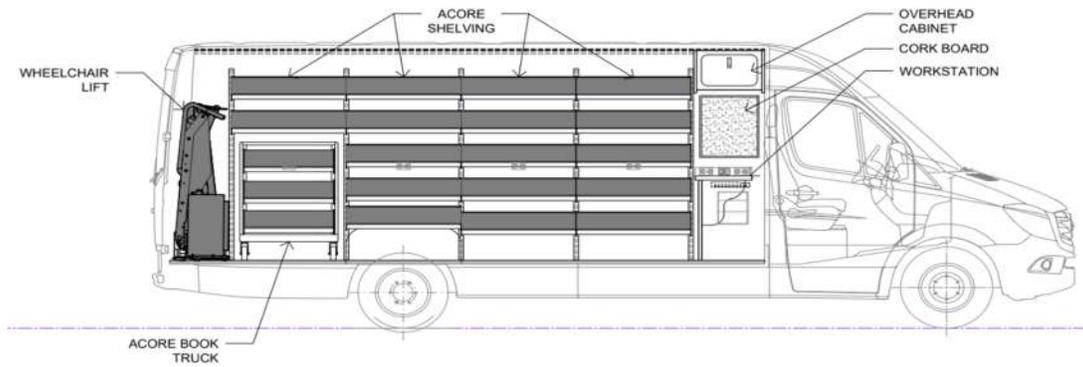
Financial Highlights



Substantial improvements and upgrades were made to the Clark Fork Library.

A 20' x 30' pavilion was built behind the existing library building. The pavilion will enable library staff to host library programs outdoors and give the Clark Fork community a space to gather. Local companies built the pavilion. Ten irrigation zones were installed throughout the property as well as landscaping to beautify the surrounding area. A roman cobblestone pathway was added to connect the pavilion and the library. It also enabled ADA accessibility.

Inside the Clark Fork library, the Children's room was updated and the library now has a well-configured meeting room, which can be used by the public and for children's programs.



The District hired a company to design and build a library bookmobile. It will meet the needs of community members throughout East Bonner County, with an emphasis on the communities without convenient access to our physical library locations. The vehicle will be able to safely and comfortably navigate both rural roads and North Idaho weather. An initial payment of \$121,692 was made as a down payment on the total price of \$243,385. We are eagerly anticipating the completion of this project, which will be funded through our Capital Asset Replacement Fund. Based on the timeline detailed in our Request for Proposal, we are expecting to have the customized vehicle delivered in the fall of 2023.



The Sandpoint information desk was replaced with a unit that is more functional and provides easier interaction with patrons. The cost of the replacement was \$21,487.



The District worked with a local advertising company to update our directional signage inside the Sandpoint library, including updating the color scheme so they are more noticeable. Some of the collection signs were moved to new locations and smaller signs were added directing patrons to the elevator, family restroom, copier, etc.

Another update included installing permanent air purifiers (20 in Sandpoint, 4 in Clark Fork) to improve airflow and air quality in the facilities. The cost was \$24,000.





Local artist and library supporter, Sandra Deutchman, donated five pieces of art to the Sandpoint Branch. These pieces are hung for all to enjoy and are much appreciated by everyone.



A 2021 Toyota Tacoma truck was added to the District's fleet of vehicles. It is being used to pull the STEM trailer, which is providing hands on education throughout the County. The total cost was \$34,141.



The Sandpoint Teen Lounge has seen many improvements with the addition and replacement of furniture, technology and storage solutions. Reopening after Covid, the lounge has become a center for teens to gather for social and learning activities.

The District saw a number of staff members leave during the early days of the pandemic and many of those positions were never filled. As a result of this, some of the more significant changes to District operations during this fiscal year had to do with new hires, staff promotions and other changes to the organizational chart.

- New positions added were a part-time database manager, a cataloger position as well as an assistant service desk lead position.
- Recognizing the need to build redundancy for critical positions, a Bookmobile Backup Driver position was created.
- The Page program was restarted and two high school students joined the team.
- There were also several internal promotions.

The staffing expansion initiated in 2022 will continue in 2023, as the following positions were approved by the Board of Trustees: IT Manager, Youth Services Assistant (part-time), Exploration/STEM Support (part-time, seasonal), Garden and Seed Library Coordinator (part-time, seasonal), as well as an additional managerial position.

The Library District continues to be fiscally responsible with the public funds entrusted to them. This financial report is designed to provide a general overview of the East Bonner County Free Library District's finances and activities. A complete audit report is available to the public upon request as are other reports and statistics relevant to the Library District.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components:

- 1) Government-wide Financial Statements,
- 2) Fund Financial Statements, and
- 3) Notes to the Financial Statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The statements present an aggregate view of the District's finances. They contain useful long-term information as well as information for the just completed fiscal year.

The statement of net position presents information on all of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. In the statements the District's activities are all classified as government activities. Governmental activities include all regular library and administrative services. Most of these activities are supported by property taxes.

Fund Financial Statements. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund statements generally report operations in more detail than the government-wide statements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information. The budgetary comparison schedules and the net pension (asset) liability schedules provide additional information required by GASB.

**Government-Wide Financial Analysis
Statement of Net Position
September 30,**

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Assets			
Current and other assets	11,044,842	11,192,018	(147,176)
Net capital assets	7,441,444	7,305,057	136,387
Noncurrent assets	-	21,318	(21,318)
Total Assets	<u>18,486,286</u>	<u>18,518,393</u>	<u>(32,107)</u>
Deferred Outflows of Resources	<u>549,526</u>	<u>307,914</u>	<u>241,612</u>
Liabilities			
Current liabilities	206,088	167,022	39,066
Long-term liabilities	1,105,628	77,852	1,027,776
Total Liabilities	<u>1,311,716</u>	<u>244,874</u>	<u>1,066,842</u>
Deferred Inflows of Resources	<u>2,755,262</u>	<u>3,507,072</u>	<u>(751,810)</u>
Net Position			
Net investment in capital assets	7,427,332	7,305,057	122,275
Restricted	88,544	206,040	(117,496)
Unrestricted	7,452,958	7,563,264	(110,306)
Total Net Position	<u>\$14,968,834</u>	<u>\$15,074,361</u>	<u>\$ (105,527)</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, net position is \$14,968,834 at the close of the most recent fiscal year.

A major portion of the District's net position (49.62%) reflects its investment in capital assets (e.g., buildings and improvements, and furniture and equipment). The District uses capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the District's net position (.59%) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (49.79%) may be used to meet the District's ongoing obligations to citizens, employees, and creditors.

Government-Wide Financial Analysis
Changes in Net Position

	<u>2021 - 2022</u>	<u>2020 - 2021</u>	<u>Change</u>
Revenues			
Program Revenues:			
Charges for services	22,468	16,773	5,695
Operating grants and contributions	88,903	190,178	(101,275)
General Revenues:			
Taxes	3,040,236	3,615,426	(575,190)
Interest and investment earnings	109,036	77,385	31,651
Miscellaneous	-	667	(667)
Donated asset	3,000	-	3,000
Unrealized gain (loss)	(526,970)	(94,279)	(432,691)
Gain (loss) on disposal of an asset	(1,253)	(2,795)	1,542
Total Revenues	<u>2,735,420</u>	<u>3,803,355</u>	<u>(1,067,935)</u>
Expenses			
General Expenses	2,251,951	1,840,192	411,759
Debt Service	50	-	50
Amortization	12,069	-	12,069
Depreciation	576,877	556,896	19,981
Total Expenses	<u>2,840,947</u>	<u>2,397,088</u>	<u>443,859</u>
Change in Net Position	(105,527)	1,406,267	(1,511,794)
Net Position – Beginning	15,074,361	13,869,079	1,205,282
Net Position – Prior Period Adjustment	-	(200,985)	200,985
Net Position – Ending	<u>\$14,968,834</u>	<u>\$15,074,361</u>	<u>\$ (105,527)</u>

District Funds

General fund. The General Fund is the only fund of the District. At the end of the current fiscal year the total fund balance was \$8,077,361. Revenues totaled \$2,719,127, a decrease of 28.87% over the prior year. Expenditures totaled \$2,848,669, an increase of 13.93% over the prior year.

Capital Asset and Debt Administration. At the end of fiscal year 2022, the District had \$7,441,444 invested in capital assets (land, works of art, buildings, improvements, materials collection, equipment and furnishings, vehicles, and right-to-use lease assets). These assets are necessary to carry out the day-to-day operations of the District. At the end of the fiscal year, the District had \$14,112 in right-to-use lease liabilities.

**Capital Assets
Net of Accumulated Depreciation
September 30,**

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Land	256,844	256,844	-
Construction in Progress	121,692	-	121,692
Works of Art	442,550	439,550	3,000
Buildings	4,203,866	4,364,094	(160,228)
Land improvements	88,449	12,253	76,196
Materials Collection	2,009,312	1,961,527	47,785
Equipment and Furnishings	276,030	268,246	7,784
Vehicles	28,605	2,543	26,062
Right-to-use lease assets	14,096	-	14,096
Total Net Assets	<u>\$ 7,441,444</u>	<u>\$ 7,305,057</u>	<u>\$ 136,387</u>

Requests for information. This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Office, East Bonner County Free Library District, 1407 Cedar Street, Sandpoint, ID 83864.

FINANCIAL STATEMENTS



EAST BONNER COUNTY FREE LIBRARY DISTRICT
Sandpoint, Idaho

STATEMENT OF NET POSITION
September 30, 2022

ASSETS

Current assets:		
Cash	88,652	
Investments	5,370,095	
Receivables:		
Taxes	106,388	
Unbilled taxes	2,673,010	
Due from County	51,625	
Interest	14,380	
Prepaid items	13,779	
Investments - designated	2,638,369	
Investments - restricted	88,544	
Total current assets	11,044,842	
Noncurrent assets:		
Non-depreciable assets	699,394	
Construction in progress	121,692	
Depreciable assets	11,013,002	
Less: accumulated depreciation	(4,406,740)	
Right-to-use lease asset	26,165	
Less: accumulated amortization	(12,069)	
Total noncurrent assets	7,441,444	
Total assets	18,486,286	

DEFERRED OUTFLOWS OF RESOURCES

Pension related items	549,526	
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LIABILITIES

Current liabilities:		
Accounts payable	93,221	
Credit card payable	11,083	
Sales tax payable	334	
Accrued wages and benefits	90,032	
Current portion of right-to-use lease liability	11,418	
Total current liabilities	206,088	
Noncurrent liabilities:		
Accrued compensated absences	81,695	
Noncurrent portion of right-to-use lease liability	2,694	
Net pension liability	1,021,239	
Total noncurrent liabilities	1,105,628	
Total liabilities	1,311,716	

DEFERRED INFLOWS OF RESOURCES

Unavailable tax revenue	2,673,010	
Pension related items	82,252	
Total deferred inflows of resources	2,755,262	

NET POSITION

Net investment in capital assets	7,427,332	
Restricted	88,544	
Unrestricted	7,452,958	
Total net position	\$ 14,968,834	

EAST BONNER COUNTY FREE LIBRARY DISTRICT
Sandpoint, Idaho

GOVERNMENTAL FUND
BALANCE SHEET
September 30, 2022

**ASSETS AND DEFERRED OUTFLOWS
OF RESOURCES**

Assets:		
Cash	88,652	
Investments	5,370,095	
Receivables:		
Taxes	106,388	
Unbilled taxes	2,673,010	
Due from County	51,625	
Interest receivable	14,380	
Prepaid items	13,779	
Investments - designated	2,638,369	
Investments - restricted	88,544	
Total assets	<u>11,044,842</u>	11,044,842
Deferred outflows of resources		<u>-</u>

**TOTAL ASSETS AND DEFERRED OUTFLOWS
OF RESOURCES**

\$ 11,044,842

**LIABILITIES, DEFERRED INFLOWS OF
RESOURCES AND FUND BALANCE**

Liabilities:		
Accounts payable	93,221	
Credit card payable	11,083	
Sales tax payable	334	
Accrued wages and benefits	90,032	
Total liabilities	<u>194,670</u>	194,670
Deferred inflows of resources:		
Deferred revenue	99,801	
Unavailable tax revenue	2,673,010	
Total deferred inflows of resources	<u>2,772,811</u>	2,772,811
Fund balances:		
Nonspendable	13,779	
Assigned	2,638,369	
Restricted	88,544	
Unassigned	5,336,669	
Total fund balance	<u>8,077,361</u>	8,077,361

**TOTAL LIABILITIES, DEFERRED INFLOWS
OF RESOURCES AND FUND BALANCE**

\$ 11,044,842

EAST BONNER COUNTY FREE LIBRARY DISTRICT
Sandpoint, Idaho

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCE TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2022**

Total fund balance - governmental fund	8,077,361
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:	
Cost of capital assets	11,834,088
Accumulated depreciation	<u>(4,406,740)</u>
	7,427,348
Right-to-use lease assets used in governmental activities are not financial resources and, therefore, are not reported as assets in government funds.	
Cost of right-to-use lease assets	26,165
Accumulated amortization	<u>(12,069)</u>
	14,096
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	99,801
Certain pension related items are recorded as deferred outflow or inflow of resources and recognized in future periods for governmental activities:	
Deferred outflow of resources	549,526
Deferred inflow of resources	(82,252)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Right-to-use lease liability	(14,112)
Net pension liability	(1,021,239)
Compensated absences	<u>(81,695)</u>
Total net position - governmental activities	<u><u>\$ 14,968,834</u></u>

EAST BONNER COUNTY FREE LIBRARY DISTRICT
Sandpoint, Idaho

GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Year Ended September 30, 2022

REVENUES

Property taxes	3,025,690	
Grant income	60,745	
Taxable sales	20,558	
Donation Income	28,158	
Non-taxable sales	1,910	
Investment earnings	109,036	
Total revenues	<u>3,246,097</u>	

EXPENDITURES

General government	2,531,062	
Capital outlay	305,504	
Debt service	12,103	
Total expenditures	<u>2,848,669</u>	

Excess (deficiency) of revenues
over (under) expenditures 397,428

Other financing sources (uses)
Net increase (decrease) in the
fair value of investments (526,970)

Net change in fund balance (129,542)

Fund balance - beginning of year 8,206,903

Fund balance - end of year \$ 8,077,361

EAST BONNER COUNTY FREE LIBRARY DISTRICT
Sandpoint, Idaho

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUND TO STATEMENT OF ACTIVITIES**
For the Year Ended September 30, 2022

Net change in fund balance - governmental fund		(129,542)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital additions	697,420	
Donated assets	3,000	
Depreciation expense	<u>(576,876)</u>	123,544
<p>Proceeds from the sale of capital assets are recorded as a gain for governmental funds, however, in the Statement of Activities, the gain is reduced by the remaining net depreciable basis associated with the disposed assets.</p>		
		(1,253)
<p>Capital outlays to lease right-to-use lease assets are reported in governmental funds as expenditures. However, in the Statement of Activities the cost of these assets are allocated over their estimated useful lives and reported as amortization expense.</p>		
Right-to-use lease asset additions	-	
Amortization expense	<u>(12,069)</u>	(12,069)
<p>Some property taxes will not be collected for several months after the District's fiscal year end, and are not considered as "available" revenues in the governmental funds. Instead, they are recorded as deferred revenues. They are however, recorded as revenues in the Statement of Activities.</p>		
		14,546
<p>Net pension liability adjustments:</p>		
Fiscal year 2021 employer PERSI contributions recognized as pension expense in the current year.	(31,808)	
Fiscal year 2022 employer PERSI contributions deferred to subsequent year.	35,759	
Pension related amortization expense.	<u>(112,914)</u>	(108,963)
<p>Repayment of long-term debt obligations is an expenditure in the governmental funds but the repayment reduces liabilities in the Statement of Net Position</p>		
		12,053
<p>Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This is the amount by which compensated absences incurred exceeded the amount paid during the year.</p>		
		<u>(3,843)</u>
Total change in net position - governmental activities		<u>\$ (105,527)</u>

EAST BONNER COUNTY FREE LIBRARY DISTRICT
Sandpoint, Idaho

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 Summary of Significant Account Policies

East Bonner County Free Library District (the “District”) was formed in 1974. From that date until 1984, the District and the Sandpoint Public Library provided services out of the same building. In 1984, the citizens of Sandpoint voted to join the District, and the property was deeded over to the District. Residents organized a branch in Clark Fork in 1985. The District operates under a Board of Trustees and provides service to approximately 33,000 citizens throughout most of Bonner County with the exception of a portion of the western section of the County. The District is considered to be an independent reporting entity and has no component units.

Financial Reporting Entity

The basic financial statements of the District are composed of the following:

- Government-wide financial statements
- Governmental fund financial statements
- Notes to basic financial statements

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements (GWFS) – The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these financial statements.

Government-wide financial statements are presented using the economic resources measurement focus and accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and

NOTE 1 Summary of Significant Account Policies (Continued)

liabilities resulting from nonexchange transaction are recognized in accordance with requirements of GASB pronouncements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from good, services, or privileges provided by a given function or segment and 2) grants and contribution that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Program Revenues – Program revenues include charges for services and payments made by parties outside of the reporting District’s citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability rather than as expenditures.

Fund Financial Statements (FFS)

These statements provide information about the District’s funds. The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column. All the remaining funds are aggregated and reported in a single column as other governmental funds (if applicable).

Governmental Funds – In the fund financial statements, governmental funds are presented using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated, or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The District uses an availability period of 60 days.

Revenues – Revenue recognition is subject to the measurable and availability criteria for the governmental funds in the fund financial statements. Exchange transactions are recognized as revenues in the period in which they are earned. (i.e., the related goods or services are provided). Locally imposed derived tax revenues are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. Imposed nonexchange transactions are recognized as revenues in the period for which they were

NOTE 1 Summary of Significant Account Policies (Continued)

imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. Government-mandated and voluntary nonexchange transaction are recognized as revenues when all applicable legibility requirements have been met.

Other Financing Sources (Uses) – In the fund financial statements, governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of “available spendable resources.” Governmental fund operation statements present increases (revenues and other financing sources) and decreases (expenditures are other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Expenditures – Due to the nature of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as another financing source rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and payments for compensated absences which are recognized as expenditures when paid. General capital asset acquisitions are reported as expenditures in governmental funds.

The District has reported the following major fund:

General Fund – This is the District’s primary operating fund and it accounts for all financial resources of the District except those required to be accounted for in other funds.

Restricted Resources – The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

Fund Balance Definitions, GASB 54 – The *nonspendable* fund balance category includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action

NOTE 1 Summary of Significant Account Policies (Continued)

of the government's highest level of decision-making authority. Amounts in the *assigned* fund balance classification are intended to be used by the government for specific purposes based on Board designation but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. The District applies committed resources, then assigned resources, then unassigned resources when an expense is incurred for purposes for which all fund balances classifications are available.

Restricted balances are as follows:

Endowments – The endowments accounts for investments from permanently and temporarily restricted endowments.

Assigned balances, as approved by the Board of Trustees, are as follows:

Capital Projects – The Board of Trustees has assigned \$2,638,369 to maintain, repair or replace capital assets.

Nonspendable balances are as follows:

Prepaid items – Insurance and prepaid flexible spending.

Cash and Investments – Cash includes amounts held in demand and time deposits. Investments are stated at fair value. The District invests in the State of Idaho Local Government Pool (LGIP) and the Diversified Bond Fund (DBF) in accordance with Section 67-1210 and 67-1210A, Idaho Code.

Allowance for Uncollectible Amounts – No allowance for uncollectible amounts has been deemed necessary as of September 30, 2022.

Encumbrances – The District does not follow the practice of encumbering funds at year-end.

Deferred Revenue – Deferred revenue in the governmental funds represents property taxes receivable recorded but not collected within 60 days of the end of the accounting period.

Unavailable Tax Revenue – Unavailable tax revenue represents the property taxes levied for 2022 that are measurable but unavailable to the District, therefore recorded as a deferred inflow of resources in both governmental fund and government-wide financial statements.

Inventory – Inventory is valued at zero. All costs of expendable supplies are expensed when the supplies are purchased.

NOTE 1 Summary of Significant Account Policies (Continued)

Capital Assets – Capital assets including, land, building, books, and works of art, equipment and furnishings, and vehicles are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual, or aggregate cost of more than \$1,000 and an initial useful life of one year or greater. Donated capital assets are recorded at acquisition value. Repair and maintenance costs are not capitalized.

The current procedure is to capitalize books and related materials on an annual composite basis and record depreciation over an estimated useful life of 10 years. As disposals occur, no expense will be recorded, but a reduction to the asset and accumulated depreciation accounts will be recorded.

Capital assets are depreciated in the government-wide financial statement using the straight-line method over the following estimated useful lives:

Buildings and Improvements	5 to 40 years
Books and Related Materials	10 years
Equipment and Furnishings	3 to 10 years
Vehicles	5 to 20 years

Compensated Absences – It is the District’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. GASB specifies that a liability should be accrued for leave benefits that meet the following conditions:

1. The employer’s obligation relative to employee rights to receive compensation or future absences is attributable to the employee services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of obligation is probable.
4. The amount can be reasonably estimated.

The District records a liability for accrued sick and vacation time when incurred in the government-wide fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignation and retirement. The District uses the vesting method to calculate the compensated absence liability.

Vacation leave and sick leave are available to employees who work greater than four hours per week. Hours are accrued based on hours worked and time of service.

Vacation time can be accrued only up to the maximum number of hours that an employee is eligible to earn in a given year, based on their date of hire. Upon termination or retirement, employees are compensated for any unused vacation time. Sick leave is reimbursable to employees up to 50% of their accumulated sick leave, if written notification of resignation is received within 14 working days prior to the effective date of termination. This unused sick time compensation is limited to 176 hours and is paid at regular rates.

NOTE 1 Summary of Significant Account Policies (Continued)

Pensions – For purposes of measuring the net pension (asset) liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan’s fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events – Management has evaluated subsequent events through the date of the audit report. This is the date the financial statements were available to be issued. Management has concluded that no material subsequent events have occurred.

NOTE 2 Property Tax

The District’s property tax is recognized as an asset at the time the District has an enforceable legal claim to the resources (January 1st of each year) and the revenue is recognized in the period for which the taxes are levied. For FY2022, the District has recognized the 2021 levy as revenue and the tax year 2022 levy as an asset.

Tax Year 2021 Levy (FY2022 Revenue)

The market value upon which the 2021 levy was based was \$7,524,042,410. The property tax was levied in October 2021 and was due in two equal installments on December 20th and June 20th.

The total tax levy (per \$100 of value) for the year was as follows:

	<u>Percentage</u>	<u>Amount</u>
Levy	3.63214%	\$2,751,347

Tax Year 2022 Levy (FY2022 Asset)

The property tax levy for 2022 has been recorded as an asset in the general fund in the amount of \$2,673,010. This levy is for the FY2023 operations and has been presented as unavailable property tax revenue.

NOTE 2 Property Tax (Continued)

Deferred Revenue

To the extent property taxes are not collected within 60 days of the end of the accounting period, a deferred revenue amount has been recorded.

	<u>General Fund</u>
Total taxes receivable at September 30, 2022	106,388
Less: Taxes to be collected by the County Treasurer by November 30, 2022	<u>(6,587)</u>
Deferred revenue	<u>\$ 99,801</u>

NOTE 3 Cash and Investments

Deposits

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash		
Cash on Hand	115	-
Checking and Savings Accounts	<u>88,537</u>	<u>96,915</u>
Total Cash	<u>\$ 88,652</u>	<u>\$ 96,915</u>

Checking account was with Glacier Family of Banks of which \$250,000 was covered by Federal Deposit Insurance. Any balance in excess of the FDIC insured limit is uncollateralized and unsecured.

Investments

	<u>Rate</u>	<u>General Fund</u>
State Treasurer's Pool	Variable	1,421,853
Diversified Bond Fund	Variable	<u>6,675,155</u>
Total		<u>\$8,097,008</u>

Investment Maturities

<u>External Investment Pool</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1-8 Years</u>
State Investment Pool	1,421,853	1,421,853	1,421,853	-
Diversified Bond Fund	<u>6,675,155</u>	<u>6,675,155</u>	<u>6,675,155</u>	-
Total	<u>\$8,097,008</u>	<u>\$ 8,097,008</u>	<u>\$ 8,097,008</u>	<u>\$ -</u>

NOTE 3 Cash and Investments (Continued)

Assigned Investments – Assigned investments consisted of \$2,638,369, which is assigned by the Board of Trustees for capital improvements and facilities.

Restricted Investments – Restricted investments consisted of \$88,544 from permanently and temporarily restricted endowments.

State Treasurer’s Investment Pool – The Pool is managed by the State of Idaho Treasurer’s office. Authorized investments include bonds, treasury bills, interest-bearing notes, and other obligations of the U.S. Government, general obligation, or revenue bonds of the State of Idaho or other local governments within the state of Idaho, bonds, debentures, or other similar obligations issued by the farm credit system or by public corporations of the state of Idaho, repurchase agreements covered by any legal investment for the state of Idaho, tax anticipation bonds or notes and income and revenue anticipation bonds or notes of taxing districts of the state of Idaho, revenue bonds of institutions of higher education of the state of Idaho, and time deposits and savings accounts in amounts not to exceed applicable insurance limits. The primary objectives of the investment pool, in order of priority, are safety, liquidity, and yield.

Participants have overnight availability to their funds, up to \$10 million. Withdrawals of \$10 million or more require three business days’ notification.

Diversified Bond Fund – The DBF is managed by the State of Idaho Treasurer’s office as an alternative investment to the short-term investment fund, LGIP, for those entities who are able to assume less liquidity and more price volatility for the potential of greater returns over the long run. The DBF fund is recorded using the net asset value per share based on the District’s pro-rata share of the pool’s net position. The funds of the DBF are invested in corporate bonds, mortgage-backed securities, government agency securities, U.S. government securities, and money market funds.

Withdrawal of amounts of 10 million dollars or more, or the closing of a Fund account valued at 10 million dollars or more requires a minimum notice of 25 days prior to the last day of the month. Withdrawals of less than 10 million dollars or the closing of a Fund account valued at less than 10 million dollars must be received five (5) business days prior to the last day of the month. The State Treasurer’s investment policy and the Local Government Investment Pool and Diversified Bond Fund financial statements which can be obtained by writing P.O. Box 83720, Boise, ID 83720-0091.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. Custodial credit risk for investments is the risk that in the event of the failure of the counter party (e.g. broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District does not have a policy restricting the amount of deposits and investments subject to custodial credit risk.

NOTE 3 Cash and Investments (Continued)

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization such as Moody's or Standard & Poor's. The investments of the District at year-end are not required to be rated. The District does not have a policy regarding credit risk.

Interest rate risk is the risk that changes in market interest rates will adversely impact the fair value of an investment. Investments that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rate. At year-end, the District is not subject to interest rate risk as all investments are held in the State Treasurer's Local Government Investment Pool, which has a maturity of 108 days. The District does not have a policy regarding interest rate risk.

Concentration of credit risk is the risk that concentration of investments with one issuer represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The Governmental Accounting Standards Board has adopted a principal that governments should provide note disclosure when five percent of the total investments of the entity are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The District does not have a policy limiting the amount it may invest in any one issuer.

NOTE 4 Capital Assets

A summary of activity in the capital assets is as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Capital assets not being depreciated					
Land	256,844	-	-	-	256,844
Construction in progress	-	121,692	-	-	121,692
Art	439,550	3,000	-	-	442,550
Total capital assets not being depreciated	696,394	124,692	-	-	821,086
Capital assets being depreciated					
Buildings	6,409,120	-	-	-	6,409,120
Land improvements	14,369	79,734	-	-	94,103
Materials collection	2,995,525	391,917	(152,452)	-	3,234,990
Vehicles	195,267	34,141	-	-	229,408
Computers	277,171	15,227	(44,276)	-	248,122
Equipment	126,611	31,009	(1,149)	-	156,471
Furnishings	435,531	23,700	(1,952)	-	457,279
Shelving	183,509	-	-	-	183,509
Total depreciated assets	10,637,103	575,728	(199,829)	-	11,013,002
Less: Accumulated Depreciation					
Buildings	(2,045,026)	(160,228)	-	-	(2,205,254)
Land improvements	(2,116)	(3,538)	-	-	(5,654)
Materials collection	(1,033,998)	(344,132)	152,452	-	(1,225,678)
Vehicles	(192,724)	(8,079)	-	-	(200,803)
Computers	(242,565)	(23,179)	44,276	-	(221,468)
Equipment	(65,281)	(13,697)	1,149	-	(77,829)
Furnishings	(285,131)	(21,327)	699	-	(305,759)
Shelving	(161,599)	(2,696)	-	-	(164,295)
Total accumulated depreciation	(4,028,440)	(576,876)	198,576	-	(4,406,740)
Governmental Activities Assets	\$ 7,305,057	\$ 123,544	\$ (1,253)	\$ -	\$ 7,427,348

NOTE 5 Pension Plan

In accordance with GASB 68, *Accounting and Financial Reporting for Pensions*, which became effective for the year ended September 30, 2015, the financial reporting and note disclosures are based off the most recent audited financial statements of PERSI, which was completed for the period ended June 30, 2022. All amounts are as of June 30, 2022 unless otherwise noted.

Plan Description

The District contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies, and various participating political subdivisions. The cost to administer the plan is financed through the

NOTE 5 Pension Plan (Continued)

contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Pension Benefits

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months. Amounts in parenthesis represent police/firefighters.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% (72%) of the employer rate. As of September 30, 2022 it was 7.16% (9.13%). The employer contribution rate is set by the Retirement Board and was 11.94% (12.28%) of covered compensation. The District's employer contributions required and paid were \$126,033, for the year ended September 30, 2022.

NOTE 5 Pension Plan (Continued)

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2022, the District reported a (asset) liability for its proportionate share of the net pension (asset) liability as of June 30, 2022. The net pension (asset) liability was measured as of June 30, 2022, and the total pension (asset) liability used to calculate the net pension (asset) liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension (asset) liability was based on the District's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2022, the District's proportion was 0.02592794%.

The District's pension expense (revenue) is calculated and made available as part of PERSI's annual audit. The pension expense (revenue) for the year ending June 30, 2022 was calculated at \$264,732.

At September 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	112,299	4,558
Changes in assumptions or other inputs	166,493	-
Change in proportionate share	-	77,694
Net difference between projected and actual earning on pension plan investments	234,975	-
Employer contributions subsequent to the measurement date	35,759	-
Total	<u>\$549,526</u>	<u>\$82,252</u>

\$35,759 reported as deferred outflow of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset) liability in the year ended September 30, 2023.

NOTE 5 Pension Plan (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

<u>For the Year Ending June 30:</u>	<u>Amount to be Recognized</u>
2023	121,770
2024	132,193
2025	61,139
2026	194,105
2027	(41,933)

Actuarial Assumptions

The following are the actuarial assumptions and the entry age normal cost method, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases including inflation	3.05%
Investment rate of return-net of investment fees	6.35%
Cost of living (COLA) adjustments	1.00%

Several different sets of mortality rates are used in the valuation for contributing members, members retired for service and beneficiaries. These rates were adopted for the valuation dated July 1, 2021.

Contributing Members, Service Retirement Members, and Beneficiaries

General Employees and All Beneficiaries - Males	Pub-2010 General Tables, increased 11%.
General Employees and All Beneficiaries - Females	Pub-2010 General Tables, increased 21%.
Teachers - Males	Pub-2010 Teacher Tables, increased 12%.
Teachers - Females	Pub-2010 Teacher Tables, increased 21%.
Fire & Police - Males	Pub-2010 Safety Tables, increased 21%.
Fire & Police - Females	Pub-2010 Safety Tables, increased 26%.
Disabled Members - Males	Pub-2010 Disabled Tables, increased 38%.
Disabled Members - Females	Pub-2010 Disabled Tables, increased 36%.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital

NOTE 5 Pension Plan (Continued)

market assumptions. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of PERSI's assets. The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	0%	0.00%
Large Cap	18%	4.50%
Small/Mid Cap	11%	4.70%
International Equity	15%	4.50%
Emerging Markets Equity	10%	4.90%
Domestic Fixed	20%	-0.25%
TIPS	10%	-0.30%
Real Estate	8%	3.75%
Private Equity	8%	6.00%

Discount Rate

The discount rate used to measure the total pension (asset) liability was 6.35%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset) liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for administrative expense.

Sensitivity of the Employer's proportionate share of the net pension (asset) liability to changes in the discount rate.

The following presents the net pension (asset) liability of PERSI employer's calculated using the discount rate of 6.35% as well as what the employer's (asset) liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease <u>(5.35%)</u>	Current Discount Rate <u>(6.35%)</u>	1% Increase <u>(7.35%)</u>
Employer's proportionate share of the net pension (asset) liability	\$1,802,387	\$1,021,239	\$381,890

NOTE 5 Pension Plan (Continued)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

Payables to the pension plan

At September 30, 2022, the District reported payables to the defined benefit pension plan of \$0 for legally required employer contributions and \$0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

NOTE 6 Right-to-use Lease Asset/Liability

During the year ended September 30, 2022, the District adopted new accounting guidance by implementing the provision of GASB Statement No. 87, *Leases*, which establishes criteria for identifying and reporting right-to-use lease assets and lease liabilities. The implementation of this statement has resulted in a change in the presentation of the financial statements for the following activities:

- The copier lease previously reported as an operating lease has been restated as a right-to-use lease asset and right-to-use liability.
- The mail machine lease previously reported as an operating lease has been restated as a right-to-use asset and right-to-use liability.

During the year ended September 30, 2022, the following changes occurred in right-to-use lease assets:

	Beginning of Year	Additions	Modifications & Remeasurements	Subtractions	End of Year
Right-to-Use Lease Assets					
Mail Machine	1,982	-	-	-	1,982
Copier	24,183	-	-	-	24,183
	26,165	-	-	-	26,165
Less: Accumulated Amortization					
Mail Machine	-	(1,321)	-	-	(1,321)
Copier	-	(10,748)	-	-	(10,748)
	-	(12,069)	-	-	(12,069)
Total Right-to-Use Lease Assets, net	\$ 26,165	\$ (12,069)	\$ -	\$ -	\$ 14,096

NOTE 6 Right-to-use Lease Asset/Liability (Continued)

Total lease expense for the year ended September 30, 2022 is as follows:

Lease expense	
Amortization expense by class of underlying asset	
Mail Machine	1,321
Copier	10,748
Total amortization expense	<u><u>\$ 12,069</u></u>

During the year ended September 30, 2022, the following changes occurred in the right-to-use lease liability:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Modifications & Remeasurements</u>	<u>Subtractions</u>	<u>End of Year</u>	<u>Amounts Due Within One Year</u>
Right-to-Use Lease Liabilities						
Office Equipment	\$ 26,165	\$ -	\$ -	\$ (12,053)	\$ 14,112	\$ 11,418

Future minimum annual payments as of September 30, 2022 are as follows:

FY Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2023	11,418	24	11,442
2024	2,694	1	2,695
Total Future Payments	<u><u>\$ 14,112</u></u>	<u><u>\$ 25</u></u>	<u><u>\$ 14,137</u></u>

NOTE 7 Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Insurance is maintained through the Idaho Counties Reciprocal Management Program (ICRMP). ICRMP is an insurance pool serving all public entities in Idaho through provision of property, general liability, auto liability, physical damage, and public officials’ insurance. The District pays an annual premium to ICRMP for insurance coverage. For the last three years, settled claims have no exceeded commercial insurance coverage, nor has there been any significant reduction in insurance coverage.

REQUIRED SUPPLEMENTARY INFORMATION



EAST BONNER COUNTY FREE LIBRARY DISTRICT
Sandpoint, Idaho

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2022

	Original Budget	Final Budget	Actual	Variances	
				Favorable (Unfavorable)	
				Original to Actual	Final to Actual
Revenues					
Property taxes	2,957,692	2,957,692	3,025,690	67,998	67,998
Grant income	90,400	90,400	60,745	(29,655)	(29,655)
Taxable sales	12,750	12,750	20,558	7,808	7,808
Donation Income	6,600	6,600	28,158	21,558	21,558
Non-taxable sales	1,000	1,000	1,910	910	910
Investment earnings	51,786	51,786	109,036	57,250	57,250
Total revenues	3,120,228	3,120,228	3,246,097	125,869	125,869
Expenditures					
General government:					
Salaries and benefits	1,748,595	1,748,595	1,613,053	135,542	135,542
General expenses	140,806	140,806	117,729	23,077	23,077
Grant expenses	179,240	179,240	85,244	93,996	93,996
Library materials	302,833	302,833	281,546	21,287	21,287
Maintenance and Repairs	141,500	141,500	67,534	73,966	73,966
Personnel	1,100	1,100	628	472	472
Professional Services	49,785	49,785	34,587	15,198	15,198
Program supplies	18,500	18,500	17,472	1,028	1,028
Supplies	47,500	47,500	41,905	5,595	5,595
Technology	247,139	247,139	215,435	31,704	31,704
Utilities	82,000	82,000	55,929	26,071	26,071
Total general government	2,958,998	2,958,998	2,531,062	427,936	427,936
Capital outlay	600,000	600,000	305,504	294,496	294,496
Debt service:					
Principal	10,780	10,780	12,053	(1,273)	(1,273)
Interest	-	-	50	(50)	(50)
Total debt service	10,780	10,780	12,103	(1,323)	(1,323)
Total expenditures	3,569,778	3,569,778	2,848,669	721,109	721,109
Excess (deficiency) of revenues over (under) expenditures	(449,550)	(449,550)	397,428	846,978	846,978
Other financing sources (uses)					
Net increase (decrease) in the fair value of investments	-	-	(526,970)	(526,970)	(526,970)
Net change in fund balance	\$ (449,550)	\$ (449,550)	(129,542)	\$ 320,008	\$ 320,008
Fund balance - beginning of year			8,206,903		
Fund balance - end of year			\$ 8,077,361		

EAST BONNER COUNTY FREE LIBRARY DISTRICT
Sandpoint, Idaho

NET PENSION (ASSET) LIABILITY RELATED SCHEDULES

Schedule of the District's Share of Net Pension (Asset) Liability*

PERSI - Base Plan
As of June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Employer's portion of the net pension (asset) liability	0.0259279%	0.0269917%	0.0325760%	0.0335950%	0.0365450%	0.0372320%	0.0394520%	0.0391560%	0.0373811%
Employer's proportionate share of the net pension (asset) liability	1,021,239	(21,318)	756,467	383,476	539,042	585,229	799,753	515,620	-
Employer's covered employee payroll	1,022,454	1,007,295	1,155,170	1,147,264	1,155,459	1,166,353	1,163,124	1,118,921	1,012,703
Employer's proportional share of the net pension (asset) liability as a percentage of its covered employee payroll	99.88%	-2.12%	65.49%	33.43%	46.65%	50.18%	68.76%	46.08%	0.00%
Plan fiduciary net position as a percentage of the total	83.09%	100.36%	88.22%	93.79%	91.69%	90.68%	87.26%	91.38%	94.95%

Schedule of the District's Contributions*

PERSI - Base Plan
As of June 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total statutorily required contributions - All Employees	122,081	120,271	138,505	129,163	133,098	130,906	130,616	124,152	114,638
Contributions in relation to the statutorily required contribution	(122,081)	(120,271)	(138,505)	(129,163)	(133,098)	(130,906)	(130,616)	(124,152)	(114,638)
Contribution (deficiency) excess	-	-	-	-	-	-	-	-	-
Employer's covered employee payroll - Class 1 Employees	1,022,454	1,007,295	6,215,712	5,909,823	5,619,408	5,228,004	4,883,709	4,664,439	1,012,703
Contributions as a percentage of covered employee payroll	11.94%	11.94%	11.94%	11.32%	11.32%	11.32%	11.32%	11.32%	11.32%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Data is reported is measured as of June 30, 2022.

NOTES TO THE NET PENSION (ASSET) LIABILITY SCHEDULES

As of June 30, 2022

Change of Assumptions. There were no change of assumptions as of June 30, 2022