

AUDIT REPORT

MCLEAN-MERCER REGIONAL LIBRARY
Riverdale, North Dakota

For the Years Ended December 31, 2021 and 2020

RATH & MEHRER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

MCLEAN-MERCER REGIONAL LIBRARY
Riverdale, North Dakota

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For the Years Ended December 31, 2021 and 2020

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MCLEAN-MERCER REGIONAL LIBRARY
Riverdale, North Dakota

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INDEPENDENT AUDITOR'S REPORT

Governing Board
McLean-Mercer Regional Library
Riverdale, North Dakota

Report on the Audit of Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of the McLean-Mercer Regional Library, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the library's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the library, as of December 31, 2021 and 2020, and the respective changes in financial position for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 library, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the library'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 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 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audits.
- 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 audits 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 library'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the library'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgeting comparison information be presented to supplement the basic financial statements. 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 audits 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2023 on our consideration of the library'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 the library'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 library's internal control over financial reporting and compliance.



Rath and Mehrer, P.C.

Bismarck, North Dakota

June 2, 2023

MCLEAN-MERCER REGIONAL LIBRARY
Riverdale, North Dakota

Statement of Net Position
December 31, 2021

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash	311,299.83
Taxes Receivable	9,671.80
Due from County Treasurer	125,761.50
Capital Assets (net of accumulated depreciation):	
Vehicles	<u>149,240.00</u>
Total Assets	<u>595,973.13</u>
<u>LIABILITIES:</u>	
Payroll Taxes Payable	<u>300.00</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>	
Unavailable Revenue	<u>122,273.53</u>
<u>NET POSITION:</u>	
Net Investment in Capital Assets	149,240.00
Unrestricted	<u>324,159.60</u>
Total Net Position	<u><u>473,399.60</u></u>

The accompanying notes are an integral part of these financial statements.

MCLEAN-MERCER REGIONAL LIBRARY
Riverdale, North Dakota

Statement of Net Position
December 31, 2020

	<u>Governmental Activities</u>
<u>ASSETS:</u>	
Cash	125,242.11
Taxes Receivable	7,927.75
Due from County Treasurer	151,708.13
Capital Assets (net of accumulated depreciation):	
Vehicles	<u>159,900.00</u>
 Total Assets	 <u>444,777.99</u>
 <u>LIABILITIES:</u>	
Payroll Taxes Payable	<u>247.00</u>
 <u>DEFERRED INFLOWS OF RESOURCES:</u>	
Unavailable Revenue	<u>150,537.13</u>
 <u>NET POSITION:</u>	
Net Investment in Capital Assets	159,900.00
Unrestricted	<u>134,093.86</u>
 Total Net Position	 <u><u>293,993.86</u></u>

The accompanying notes are an integral part of these financial statements.

MCLEAN-MERCER REGIONAL LIBRARY
Riverdale, North Dakota

Statement of Activities
For the Year Ended December 31, 2021

				Net (Expense) Revenue and Changes in Net Position
		Program Revenues		
		Charges for	Operating Grants	
	Expenses	Services	and Contributions	Governmental Activities
Governmental Activities:				
Culture and Recreation	459,760.41	2,660.00	45,792.55	(411,307.86)
General Revenues:				
Taxes:				
Property taxes; levied for general purposes				514,689.96
Telecommunications tax				829.45
Homestead tax credit				4,135.15
Disabled veterans tax credit				1,270.16
State aid - not restricted to specific program				65,373.67
Earnings on investments and other revenue				4,415.21
Total General Revenues				590,713.60
Change in Net Position				179,405.74
Net Position - January 1				293,993.86
Net Position - December 31				473,399.60

The accompanying notes are an integral part of these financial statements.

MCLEAN-MERCER REGIONAL LIBRARY
Riverdale, North Dakota

Statement of Activities
For the Year Ended December 31, 2020

				Net (Expense) Revenue and Changes in Net Position
		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
Culture and Recreation	464,964.08	2,460.00	320.00	(462,184.08)
<u>General Revenues:</u>				
Taxes:				
Property taxes; levied for general purposes				357,620.07
Telecommunications tax				829.45
Homestead tax credit				2,901.14
Disabled veterans tax credit				761.24
State aid - not restricted to specific program				50,353.21
Earnings on investments and other revenue				5,211.95
Total General Revenues				417,677.06
Change in Net Position				(44,507.02)
Net Position - January 1				338,500.88
Net Position - December 31				293,993.86

The accompanying notes are an integral part of these financial statements.

MCLEAN-MERCER REGIONAL LIBRARY
Riverdale, North Dakota

Balance Sheet
Governmental Fund
December 31, 2021

	<u>Major Fund</u>
	<u>General</u>
<u>ASSETS:</u>	
Cash	311,299.83
Taxes Receivable	9,671.80
Due from County Treasurer	<u>125,761.50</u>
Total Assets	<u>446,733.13</u>
<u>LIABILITIES, DEFERRED INFLOWS</u>	
<u>OF RESOURCES AND FUND BALANCE</u>	
<u>Liabilities:</u>	
Payroll Taxes Payable	<u>300.00</u>
<u>Deferred Inflows of Resources:</u>	
Unavailable Revenue	<u>131,945.33</u>
Total Liabilities and Deferred Inflows of Resources	<u>132,245.33</u>
<u>Fund Balance:</u>	
Unassigned	<u>314,487.80</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>446,733.13</u>

The accompanying notes are an integral part of these financial statements.

MCLEAN-MERCER REGIONAL LIBRARY
Riverdale, North Dakota

Balance Sheet
Governmental Fund
December 31, 2020

	<u>Major Fund</u>
	<u>General</u>
<u>ASSETS:</u>	
Cash	125,242.11
Taxes Receivable	7,927.75
Due from County Treasurer	<u>151,708.13</u>
Total Assets	<u>284,877.99</u>
<u>LIABILITIES, DEFERRED INFLOWS</u>	
<u>OF RESOURCES AND FUND BALANCE</u>	
<u>Liabilities:</u>	
Payroll Taxes Payable	<u>247.00</u>
<u>Deferred Inflows of Resources:</u>	
Unavailable Revenue	<u>158,464.88</u>
Total Liabilities and Deferred	
Inflows of Resources	<u>158,711.88</u>
<u>Fund Balance:</u>	
Unassigned	<u>126,166.11</u>
Total Liabilities, Deferred Inflows	
of Resources and Fund Balance	<u>284,877.99</u>

The accompanying notes are an integral part of these financial statements.

MCLEAN-MERCER REGIONAL LIBRARY
Riverdale, North Dakota

Reconciliation of Governmental Fund Balance Sheet
to the Statement of Net Position
For the Year Ended December 31, 2021

Total Fund Balance for Governmental Fund		314,487.80
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental fund.		
Cost of Capital Assets	213,200.00	
Less Accumulated Depreciation	<u>(63,960.00)</u>	
Net Capital Assets		149,240.00
Some revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the fund.		
Property Taxes Receivable		<u>9,671.80</u>
Total Net Position of Governmental Activities		<u><u>473,399.60</u></u>

The accompanying notes are an integral part of these financial statements.

MCLEAN-MERCER REGIONAL LIBRARY
Riverdale, North Dakota

Reconciliation of Governmental Fund Balance Sheet
to the Statement of Net Position
For the Year Ended December 31, 2020

Total Fund Balance for Governmental Fund		126,166.11
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the governmental fund.		
Cost of Capital Assets	213,200.00	
Less Accumulated Depreciation	<u>(53,300.00)</u>	
Net Capital Assets		159,900.00
Some revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are reported as unavailable revenue in the fund.		
Property Taxes Receivable		<u>7,927.75</u>
Total Net Position of Governmental Activities		<u>293,993.86</u>

The accompanying notes are an integral part of these financial statements.

MCLEAN-MERCER REGIONAL LIBRARY
Riverdale, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended December 31, 2021

	<u>Major Fund</u>
	<u>General</u>
<u>Revenues:</u>	
<u>Taxes</u>	
General Property Taxes	512,945.91
<u>Intergovernmental</u>	
State Aid Distribution	65,373.67
Telecommunications Tax	829.45
Homestead Tax Credit	4,135.15
Disabled Veterans Tax Credit	1,270.16
State Aid to Public Libraries	45,792.55
Total Intergovernmental	117,400.98
<u>Charges for Services</u>	
Bookmobile	2,660.00
<u>Miscellaneous</u>	
Interest	1,190.08
Other	3,225.13
Total Miscellaneous	4,415.21
Total Revenues	637,422.10
<u>Expenditures:</u>	
<u>Current:</u>	
<u>Culture and Recreation</u>	
Salaries and Wages	271,048.62
Taxes and Benefits	46,595.12
Bookmobile	7,254.33
Library Material	42,383.96
Bookbinding and Processing	1,246.90
Supplies and Services	1,558.28
Furniture and Equipment	1,068.25
Telephone/Utilities	7,122.28
Travel	1,330.29
Insurance	2,456.47
Workshops	8,508.13
Professional Fees	2,275.00
Technology	131.00
Computers	1,749.41
Branch Services	22,016.00
Marketing	1,525.05
Info Lynx	29,501.32
Other	1,330.00
Total Expenditures	449,100.41
Net Change in Fund Balance	188,321.69
Fund Balance - January 1	126,166.11
Fund Balance - December 31	314,487.80

The accompanying notes are an integral part of these financial statements.

MCLEAN-MERCER REGIONAL LIBRARY
Riverdale, North Dakota

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended December 31, 2020

	<u>Major Fund</u>
	<u>General</u>
<u>Revenues:</u>	
<u>Taxes</u>	
General Property Taxes	357,219.24
<u>Intergovernmental</u>	
State Aid Distribution	50,353.21
Telecommunications Tax	829.45
Homestead Tax Credit	2,901.14
Disabled Veterans Tax Credit	761.24
Covid Grant	320.00
Total Intergovernmental	55,165.04
<u>Charges for Services</u>	
Bookmobile	2,460.00
<u>Miscellaneous</u>	
Interest	1,193.78
Other	4,018.17
Total Miscellaneous	5,211.95
Total Revenues	420,056.23
<u>Expenditures:</u>	
<u>Current:</u>	
<u>Culture and Recreation</u>	
Salaries and Wages	277,985.45
Taxes and Benefits	45,601.45
Bookmobile	11,644.03
Library Material	40,369.56
Bookbinding and Processing	852.35
Supplies and Services	1,798.50
Furniture and Equipment	1,754.83
Telephone/Utilities	7,201.90
Travel	1,801.31
Insurance	2,584.00
Workshops	2,758.85
Professional Fees	5,545.00
Technology	356.00
Computers	7,328.08
Branch Services	18,016.00
Marketing	313.20
Info Lynx	26,838.59
Other	1,554.98
Total Expenditures	454,304.08
Net Change in Fund Balance	(34,247.85)
Fund Balance - January 1	160,413.96
Fund Balance - December 31	126,166.11

The accompanying notes are an integral part of these financial statements.

MCLEAN-MERCER REGIONAL LIBRARY
Riverdale, North Dakota

Reconciliation of Governmental Fund Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
For the Year Ended December 31, 2021

Net Change in Fund Balance - Total Governmental Fund	188,321.69
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The change in net position reported for governmental activities in the statement of activities is different because:

The governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	-	
Current Year Depreciation Expense	<u>(10,660.00)</u>	(10,660.00)

Some revenues reported on the statement of activities are not reported as revenues in the governmental fund since they do not represent available resources to pay current expenditures.

Net Increase in Taxes Receivable	<u>1,744.05</u>
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Change in Net Position of Governmental Activities	<u><u>179,405.74</u></u>
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The accompanying notes are an integral part of these financial statements.

MCLEAN-MERCER REGIONAL LIBRARY
Riverdale, North Dakota

Reconciliation of Governmental Fund Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
For the Year Ended December 31, 2020

Net Change in Fund Balance - Total Governmental Fund	(34,247.85)
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The change in net position reported for governmental activities in the statement of activities is different because:

The governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.

Current Year Capital Outlay	-	
Current Year Depreciation Expense	<u>(10,660.00)</u>	(10,660.00)

Some revenues reported on the statement of activities are not reported as revenues in the governmental fund since they do not represent available resources to pay current expenditures.

Net Increase in Taxes Receivable	<u>400.83</u>
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Change in Net Position of Governmental Activities	<u><u>(44,507.02)</u></u>
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The accompanying notes are an integral part of these financial statements.

MCLEAN-MERCER REGIONAL LIBRARY
Riverdale, North Dakota

Notes to the Financial Statements
December 31, 2021 and 2020

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the McLean-Mercer Regional Library have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The accompanying financial statements present the activities of the library. The library has considered all potential component units for which the library is financially accountable and other organizations for which the nature and significance of their relationships with the library are such that exclusion would cause the library's financial statements to be misleading or incomplete. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the library to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the library.

Based on these criteria, there are no component units to be included within the McLean-Mercer Regional Library as a reporting entity.

B. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the primary government, McLean-Mercer Regional Library. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the library's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the library's fund. The emphasis of fund financial statements is on the major governmental fund.

The library reports the following major governmental fund:

General Fund. This is the library's primary operating fund. It accounts for all financial resources of the general government.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide Financial Statements: The government-wide financial statements are reported using the economic resources measurement focus. These financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the library gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The library considers all revenues reported in the governmental fund to be available if the revenues are collected within sixty days after year-end. All revenues are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental fund. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the library funds certain programs by a combination of specific cost-reimbursements grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted components of net position available to finance the program. It is the library's policy to first apply cost-reimbursement grant resources to such programs, and then by general revenues.

D. Cash

Cash includes amounts in demand deposits and money market accounts.

E. Capital Assets

Capital assets include vehicles. Assets are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the library as assets with an initial individual cost of \$5,000 or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Vehicles

20 Years

F. Compensated Absences

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

Vested or accumulated vacation leave is not reported in the government-wide statement of net position as it is considered immaterial.

G. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the library is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash such as inventories or prepaid expenses) or (b) legally or contractually required to be maintained intact (i.e., endowment funds).

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the library or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments (i.e., funds restricted by state statute, unspent bond proceeds, grants earned but not spent, debt covenants or taxes raised for a specific purpose).

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the governing board through the adoption of a resolution. The governing board also may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the library's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The library reports positive unassigned fund balance only in the general fund. Negative fund balances may be reported in all funds.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the library's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the library's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position – Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the library has not spent) for the acquisition, construction or

improvement of those assets. Net position is reported as restricted as described in the fund balance section above. All other net position is reported as unrestricted.

H. 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 certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Note 2 DEPOSITS AND INVESTMENTS

In accordance with North Dakota Statutes, the library maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or bonded. In lieu of a bond, a financial institution may provide a pledge of securities equal to 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes bills, notes or bonds issued by the United States government, its agencies or instrumentalities, all bonds and notes guaranteed by the United States government, Federal Land Bank bonds, bonds, notes, warrants, certificates of indebtedness, insured certificates of deposit, shares of investment companies registered under the Investment Companies Act of 1940, and all other forms of securities issued by the State of North Dakota, its boards, agencies or instrumentalities or by any county, city, township, school district, park district or any other political subdivision of the State of North Dakota, whether payable from special revenues or supported by the full faith and credit of the issuing body and bonds issued by another state of the United States or other securities approved by the banking board.

At December 31, 2021 the library's carrying amount of deposits was \$311,300 and the bank balance was \$332,568. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. The remaining balance of \$82,568 was collateralized with securities held by the pledging financial institution's agent in the government's name.

At December 31, 2020 the library's carrying amount of deposits was \$125,242 and the bank balance was \$142,778. Of the bank balance, \$142,778 was covered by Federal Depository Insurance.

Credit Risk

The library may invest idle funds as authorized in North Dakota Statutes, as follows:

- (1) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities or organizations created by an act of Congress.
- (2) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.
- (3) Certificates of deposit fully insured by the federal deposit insurance corporation.
- (4) Obligations of the State.

Concentration of Credit Risk

The library does not have a limit on the amount the library may invest in any one issuer.

Note 3 TAXES RECEIVABLE

Taxes receivable represents the past two years of uncollected current and delinquent taxes. No allowance has been established for uncollectible taxes receivable.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material tax collections are distributed after the end of each month.

Property taxes are levied as of January 1. The property taxes attach as an enforceable lien on property on January 1 and may be paid in two installments. The first installment includes one-half of the real estate taxes and all the special assessments and the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the discount on the property taxes.

Note 4 DUE FROM COUNTY TREASURER

The amount due from county treasurer consists of the cash on hand for taxes collected but not remitted to the library at December 31.

Note 5 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended:

	<u>December 31, 2021</u>		
	<u>Balance January 1</u>	<u>Increases</u>	<u>Balance December 31</u>
Governmental Activities:			
<i>Capital assets being depreciated:</i>			
Vehicles	<u>213,200</u>	<u></u>	<u>213,200</u>
<i>Less accumulated depreciation for:</i>			
Vehicles	<u>53,300</u>	<u>10,660</u>	<u>63,960</u>
Governmental Activities Capital Assets, Net	<u>159,900</u>	<u>(10,660)</u>	<u>149,240</u>

	<u>December 31, 2020</u>			
	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities:				
<i>Capital assets being depreciated:</i>				
Vehicles	<u>213,200</u>	<u> </u>	<u> </u>	<u>213,200</u>
<i>Less accumulated depreciation for:</i>				
Vehicles	<u>42,640</u>	<u>10,660</u>	<u> </u>	<u>53,300</u>
Governmental Activities Capital Assets, Net	<u>170,560</u>	<u>(10,660)</u>	<u>-</u>	<u>159,900</u>

Depreciation expense was charged to functions/programs of the library as follows:

	<u>2021</u>	<u>2020</u>
Culture and Recreation	<u>10,660</u>	<u>10,660</u>

Note 6 PAYROLL TAXES PAYABLE

Payroll taxes payable consists of payroll taxes withheld from employees' wages prior to December 31, but remitted subsequent to that date.

Note 7 UNAVAILABLE REVENUE

Unavailable revenue on the fund financial statements consists of amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable but not available and include taxes receivable and prepaid property taxes.

Unavailable revenue on the government-wide financial statement consists of prepaid property taxes.

Note 8 RISK MANAGEMENT

The McLean-Mercer Regional Library is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The library pays an annual premium to NDIRF for its general liability and automobile insurance coverage. The coverage by NDIRF is limited to losses of \$2,000,000 per occurrence for general liability, \$2,000,000 for automobile; and \$80,900 for public assets.

The library also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The library pays an annual premium to the Fire and Tornado Fund to cover property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third-party insurance carrier for losses in excess of \$1,000,000 per occurrence during a 12 month period. The State Bonding Fund currently provides the library with a blanket fidelity bond coverage in the amount of \$165,650 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The library has worker's compensation with the Department of Workforce Safety and Insurance; and purchases commercial insurance for employee health and accident insurance.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Note 9 PENSION PLAN

The library provides benefits for full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The library contributes 5% of the employee's gross salary for the year. During the years ending December 31, 2021 and 2020, the library contributed \$4,736.73 and \$4,866.89, respectively.

Note 10 TAX ABATEMENTS

The library has no tax abatements for the years ended December 31, 2021 and 2020.

MCLEAN-MERCER REGIONAL LIBRARY
Riverdale, North Dakota

Budgetary Comparison Schedule
Governmental Fund
For the Year Ended December 31, 2021

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
<u>Taxes</u>			
General Property Taxes	531,493.44	512,945.91	(18,547.53)
<u>Intergovernmental</u>			
State Aid Distribution	43,000.00	65,373.67	22,373.67
Telecommunications Tax	828.81	829.45	0.64
Homestead Tax Credit	2,892.67	4,135.15	1,242.48
Disabled Veterans Tax Credit	761.24	1,270.16	508.92
State Aid to Public Libraries		45,792.55	45,792.55
Total Intergovernmental	47,482.72	117,400.98	69,918.26
<u>Charges for Services</u>			
Bookmobile	3,000.00	2,660.00	(340.00)
<u>Miscellaneous</u>			
Interest		1,190.08	1,190.08
Other	700.00	3,225.13	2,525.13
Total Miscellaneous	700.00	4,415.21	3,715.21
Total Revenues	582,676.16	637,422.10	54,745.94
<u>Expenditures:</u>			
<u>Current:</u>			
<u>Culture and Recreation</u>			
Salaries and Wages	297,559.46	271,048.62	26,510.84
Taxes and Benefits	51,338.62	46,595.12	4,743.50
Bookmobile	12,000.00	7,254.33	4,745.67
Library Material	40,000.00	42,383.96	(2,383.96)
Bookbinding and Processing	1,500.00	1,246.90	253.10
Supplies and Services	1,500.00	1,558.28	(58.28)
Furniture and Equipment	1,250.00	1,068.25	181.75
Telephone/Utilities	8,000.00	7,122.28	877.72
Travel	2,850.00	1,330.29	1,519.71
Insurance	4,000.00	2,456.47	1,543.53
Workshops	12,500.00	8,508.13	3,991.87
Professional Fees	2,600.00	2,275.00	325.00
Technology	1,000.00	131.00	869.00
Computers	5,000.00	1,749.41	3,250.59
Branch Services	22,500.00	22,016.00	484.00
Marketing	600.00	1,525.05	(925.05)
Info Lynx	42,000.00	29,501.32	12,498.68
Imagination Library	8,000.00		8,000.00
Other	1,350.00	1,330.00	20.00
Capital Outlay	74,176.64		74,176.64
Total Expenditures	589,724.72	449,100.41	140,624.31
Net Change in Fund Balance	(7,048.56)	188,321.69	195,370.25
Fund Balance - January 1	126,166.11	126,166.11	
Fund Balance - December 31	119,117.55	314,487.80	195,370.25

MCLEAN-MERCER REGIONAL LIBRARY
Riverdale, North Dakota

Budgetary Comparison Schedule
Governmental Fund
For the Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>			
<u>Taxes</u>			
General Property Taxes	393,763.58	357,219.24	(36,544.34)
<u>Intergovernmental</u>			
State Aid Distribution	41,000.00	50,353.21	9,353.21
Telecommunications Tax	828.81	829.45	0.64
Homestead Tax Credit	2,237.94	2,901.14	663.20
Disabled Veterans Tax Credit		761.24	761.24
Covid Grant		320.00	320.00
Total Intergovernmental	44,066.75	55,165.04	11,098.29
<u>Charges for Services</u>			
Bookmobile	2,500.00	2,460.00	(40.00)
<u>Miscellaneous</u>			
Interest		1,193.78	1,193.78
Other	2,000.00	4,018.17	2,018.17
Total Miscellaneous	2,000.00	5,211.95	3,211.95
Total Revenues	442,330.33	420,056.23	(22,274.10)
<u>Expenditures:</u>			
<u>Current:</u>			
<u>Culture and Recreation</u>			
Salaries and Wages	294,513.16	277,985.45	16,527.71
Taxes and Benefits	47,408.07	45,601.45	1,806.62
Bookmobile	10,000.00	11,644.03	(1,644.03)
Library Material	37,500.00	40,369.56	(2,869.56)
Bookbinding and Processing	1,500.00	852.35	647.65
Supplies and Services	1,500.00	1,798.50	(298.50)
Furniture and Equipment	1,100.00	1,754.83	(654.83)
Telephone/Utilities	7,300.00	7,201.90	98.10
Travel	2,650.00	1,801.31	848.69
Insurance	4,500.00	2,584.00	1,916.00
Workshops	12,500.00	2,758.85	9,741.15
Professional Fees	4,800.00	5,545.00	(745.00)
Technology	1,200.00	356.00	844.00
Computers	5,000.00	7,328.08	(2,328.08)
Branch Services	18,000.00	18,016.00	(16.00)
Marketing	250.00	313.20	(63.20)
Info Lynx	35,000.00	26,838.59	8,161.41
Other	1,050.00	1,554.98	(504.98)
Total Expenditures	485,771.23	454,304.08	31,467.15
Net Change in Fund Balance	(43,440.90)	(34,247.85)	9,193.05
Fund Balance - January 1	160,413.96	160,413.96	
Fund Balance - December 31	116,973.06	126,166.11	9,193.05

MCLEAN-MERCER REGIONAL LIBRARY
Riverdale, North Dakota

Notes to the Budgetary Comparison Schedules
December 31, 2021 and 2020

Note 1 SUMMARY OF SIGNIFICANT BUDGET POLICIES

Based upon available financial information and requests by the governing board, the library director prepares the library's budget. The budget is prepared for the general fund on the modified accrual basis of accounting. The budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year end.

The library's taxes must be levied by the governing board on or before August 10. The taxes levied must be certified to the county auditor by August 10. The governing board may amend its tax levy and budget, but the certification must be filed with the county auditor by October 10. The current budget, except for property taxes, may be amended during the year for any revenues and appropriations not anticipated at the time the budget was prepared.

Note 2 LEGAL COMPLIANCE

The governing board did not amend the library's budgets during the years ended December 31, 2021 and 2020.

Rath & Mehrer, P.C.

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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

INDEPENDENT AUDITOR'S REPORT

Governing Board
McLean-Mercer Regional Library
Riverdale, North Dakota

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 major fund of the McLean-Mercer Regional Library, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the library's basic financial statements, and have issued our report thereon dated June 2, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the library'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 library's internal control. Accordingly, we do not express an opinion on the effectiveness of the library'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the library'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the library's financial statements are free of 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 audits, 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*.

Library's Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the library's response to the findings identified in our audits and described in the accompanying *Schedule of Findings and Responses*. The library's response was not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we express no opinion on it.

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 library's internal control or on compliance. This is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rath and Mehrer, P.C.

Bismarck, North Dakota

June 2, 2023

MCLEAN-MERCER REGIONAL LIBRARY
Riverdale, North Dakota

Schedule of Findings and Responses
For the Years Ended December 31, 2021 and 2020

SECTION I – SUMMARY OF AUDIT RESULTS:

Financial Statements

Type of Auditor's Report Issued:

Governmental Activities
Major Governmental Fund

Unmodified
Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☒ Yes ☐ None Reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

SECTION II – FINANCIAL STATEMENT FINDINGS:

Significant Deficiencies

1. 2021-001 – Segregation of Duties

Criteria: To ensure adequate internal control over financial reporting and prevent material misstatements due to errors or fraud, there should be a segregation of the functions of approval, custody of assets, posting and reconciliation.

Condition: The library has one person responsible for most accounting functions. The employee is responsible to collect monies, deposit monies, issue checks, send checks to vendors, record receipts and disbursements in journals, maintain the general ledger and prepare bank reconciliations.

Cause: The library does not have a large enough staff to properly segregate all duties.

Effect: A lack of segregation of duties leads to a limited degree of internal control.

Recommendation: We recommend that management and the governing board be aware of the lack of segregation of duties and implement controls whenever possible to mitigate this risk.

Views of Responsible Officials: The library is aware of the condition and segregates duties whenever possible.

2. 2021-002- Financial Statement Preparation

Criteria: A good system of internal controls requires the library to determine that the financial statements are prepared based on accounting principles generally accepted in the United States of America. This means that the library must maintain knowledge of current accounting principles and required financial statement disclosures.

Condition: The library's financial statements, including the accompanying note disclosures, are prepared by the library's external auditors.

Cause: The library feels that it is more cost effective to have their external auditors prepare the complete financial statements and disclosures, rather than invest in ongoing specialized training that would be necessary.

Effect: Without the assistance of the auditors, the financial statements could be misstated or omit material financial statement disclosures.

Recommendation: We recommend that management be aware of this condition and be prepared and able to provide all necessary information and schedules to complete the financial statements and disclosures; and review and approve them prior to distribution.

Views of Responsible Officials: The library will continue to have the external auditors prepare the financial statements, including note disclosures, but will review and approve them prior to external distribution.

Rath & Mehrer, P.C.

Certified Public Accountants

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Bryce Fischer, CPA
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Governing Board
McLean-Mercer Regional Library
Riverdale, North Dakota

Our audits of the financial records of the McLean-Mercer Regional Library, Riverdale, North Dakota, for the years ended December 31, 2021 and 2020 has disclosed opportunities for improvements in the operations of the library. Items which we believe should be brought to your attention are set forth below:

GOVERNING BOARD MINUTES

During the course of our audits and review of the governing board minutes, it came to our attention that the board minutes were not being signed, on a consistent basis, by the governing board president and secretary. The governing board minutes should be signed by the board secretary upon preparation and by the board president when approved at a subsequent board meeting. We recommend that the library board minutes be signed as described.

This letter is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this letter which, upon acceptance by the library, is a matter of public record.

We would like to acknowledge all the assistance and many courtesies extended to us by the personnel of the library during our audits.



Rath and Mehrer, P.C.

Bismarck, North Dakota

June 2, 2023