

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota

REPORT ON FINANCIAL STATEMENTS
(with supplementary information)
Year Ended December 31, 2019

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
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Year Ended December 31, 2019

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Schauer & Associates, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the **JAMES RIVER VALLEY LIBRARY SYSTEM**, Jamestown, North Dakota, a component unit of Stutsman County, North Dakota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITORS' REPORT - continued

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the **JAMES RIVER VALLEY LIBRARY SYSTEM**, Jamestown, North Dakota, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

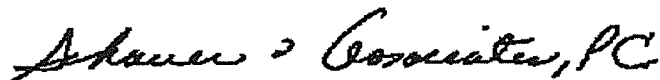
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 33 through 34 be presented to supplement the basic financial statements. Such 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. 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 July 1, 2020, on our consideration of **JAMES RIVER VALLEY LIBRARY SYSTEM'S** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 **JAMES RIVER VALLEY LIBRARY SYSTEM'S** internal control over financial reporting and compliance.



SCHAUER & ASSOCIATES, P.C.
Certified Public Accountants

Jamestown, ND
July 1, 2020

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2019

Management's Discussion and Analysis (MD&A) of **JAMES RIVER VALLEY LIBRARY SYSTEM'S** (known as the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2019. The intent of the MD&A is to provide a narrative that describes the Library's financial performance as a whole. It should, therefore, be read in conjunction with the basic financial statements and related notes.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year 2019 are as follows:

- Net position of JAMES RIVER VALLEY LIBRARY SYSTEM increased \$90,811.
- Governmental net position as of the end of the year totaled \$1,644,248.
- Total revenues from all sources were \$1,054,534.
- Total expenditures were \$963,723.
- The Library's general fund had \$1,023,388 in total revenues and \$841,742 in total expenditures. Overall, the general fund balance increased by \$181,646 for the year ended December 31, 2019.

USING THIS ANNUAL REPORT

This annual financial report consists of a series of statements and related footnotes. These statements are organized so that the reader can understand **JAMES RIVER VALLEY LIBRARY SYSTEM** as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole Library, presenting both an aggregate view of the Library's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. These statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Library's most significant funds with all other non-major funds presented in total in one column.

REPORTING ON THE LIBRARY AS A WHOLE

STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

These statements are summaries of all funds used by **JAMES RIVER VALLEY LIBRARY SYSTEM** to provide programs and activities and attempt to answer the question "How did the Library do financially during the year ended December 31, 2019?"

The Statement of Net Position presents information on all the Library's assets and liabilities with the difference between the two 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 Library is improving or deteriorating.

The Statement of Activities presents information on how the Library's net assets changed during the year. This statement is presenting amounts using the accrual basis of accounting, which means that all changes

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
Year Ended December 31, 2019

in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, uncollected taxes and earned but unused vacation leave.)

These two statements report the Library's net position and changes in those assets. This change in net position is important because it tells the reader whether, for the Library as a whole, the financial position of the Library has improved or deteriorated. The causes of this change may be the result of many factors, some financial and some not.

In the Statement of Net Position and the Statement of Activities, the Library reports governmental activities. Governmental activities are activities where most of the Library's programs and services are reported including, but not limited to, personnel, materials, and operation and maintenance of the building.

REPORTING ON THE LIBRARY'S MOST SIGNIFICANT FUNDS

BALANCE SHEET – GOVERNMENTAL FUNDS

The Library uses separate funds to account for and manage money dedicated for particular purposes. The fund basis financial statements allow the Library to demonstrate its stewardship over and accountability for resources provided by taxpayers and other entities. Fund financial statements provide detailed information about the Library's major funds. The general fund is the only major fund using the criteria established by GASB Statement No. 34.

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

Table I provides a summary of the Library's net position as of December 31, 2019 and 2018.

Table I
NET POSITION

| | December 31 | |
|--|------------------|------------------|
| | 2019 | 2018 |
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| Current Assets | \$ 1,096,278 | \$ 892,235 |
| Capital Assets (net of accumulated depreciation) | 969,129 | 1,040,912 |
| Deferred outflows of resources | 185,326 | 232,541 |
| Total Assets and Deferred Outflows of Resources | <u>2,250,733</u> | <u>2,165,688</u> |
| LIABILITIES | | |
| Current Liabilities | 13,337 | 21,413 |
| Long-Term Liabilities | 399,335 | 549,521 |
| Total Liabilities | <u>412,672</u> | <u>570,934</u> |
| Deferred Inflows of Resources | <u>193,813</u> | <u>41,317</u> |

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
Year Ended December 31, 2019

| | December 31 | |
|--|-------------------------|-------------------------|
| | 2019 | 2018 |
| NET POSITION | | |
| Net Investment in Capital Assets | 969,129 | 1,040,912 |
| Restricted | 120,318 | 117,676 |
| Unrestricted | 554,801 | 394,849 |
| Total Net Position | <u>1,644,248</u> | <u>1,553,437</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$ 2,250,733</u> | <u>\$ 2,165,688</u> |

As indicated in the financial highlights above, the Library's net position increased by \$90,811 for the year ended December 31, 2019. The Library's net position decreased by \$968,341 for the year ended December 31, 2018. Changes in net position may serve over time as a useful indicator of the Library's financial position.

For 2019, the Library's net position of \$1,644,248 is segregated into three separate categories. Net investment in capital assets represents 59% of the Library's total net assets. Net position restricted for the use of the Hodge fund and for capital projects represents 7% of the total net position. For 2018, the Library's net position of \$1,553,437 is segregated into three separate categories. Net investment in capital assets represents 67% of the Library's total net position. Net position restricted for the use of the Hodge fund represents 8% of the total net position. It should be noted that these assets are not available for future spending. The remaining balance consists of unrestricted net position that is available for future operations.

Table II shows the changes in net assets for the years ended December 31, 2019 and 2018.

Table II
 CHANGES IN NET POSITION
 Years Ended December 31, 2019 and 2018

| | 2019 | | 2018 | |
|--------------------------------------|------------------|---------------|------------------|---------------|
| REVENUES | | | | |
| Program revenues | | | | |
| Charges for services | \$ 9,806 | .9 % | \$ 10,436 | 1.0% |
| Contributions and grants | 88,419 | 8.4 | 140,566 | 13.5 |
| General revenues | | | | |
| Property taxes, for general purposes | 954,861 | 90.6 | 888,252 | 85.3 |
| Other | 1,448 | .1 | 1,575 | .2 |
| Total Revenues | <u>1,054,534</u> | <u>100.0%</u> | <u>1,040,829</u> | <u>100.0%</u> |
| EXPENSES | | | | |
| Personnel services | 554,948 | 57.6 | 535,799 | 26.7 |
| Building and grounds | 95,483 | 9.9 | 1,179,792 | 58.7 |
| Fees and services | 56,656 | 5.9 | 58,683 | 2.9 |
| Materials and supplies | 224,903 | 23.3 | 231,182 | 11.5 |
| Capital campaign | 20,298 | 2.1 | | |
| Programs and professional activities | 11,435 | 1.2 | 3,714 | .2 |
| Total Expenses | <u>963,723</u> | <u>100.0%</u> | <u>2,009,170</u> | <u>100.0%</u> |

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
Year Ended December 31, 2019

| | | |
|-------------------------|---------------------|--------------------|
| | <u>2019</u> | <u>2018</u> |
| CHANGES IN NET POSITION | 90,811 | (968,341) |
| BEGINNING NET POSITON | <u>1,553,437</u> | <u>2,521,778</u> |
| ENDING NET POSITION | <u>\$ 1,644,248</u> | <u>\$1,553,437</u> |

Property taxes constituted 90.6% of the total revenues of governmental activities of the Library for the year ended December 31, 2019. Property taxes constituted 85.3% of the total revenues of governmental activities of the Library for the year ended December 31, 2018.

Personnel services constituted 57.6% and materials and supplies made up 23.3 % of total expenditures for governmental activities during the year ended December 31, 2019. Personnel services constituted 26.7% and buildings and grounds made up 58.7% of total expenditures for governmental activities during the year ended December 31, 2018.

The Statement of Activities shows the cost of program services and the charges for services and contributions offsetting those services. Table III shows the total cost of services and the net cost of services. That is, it identifies the cost of those services supported by tax revenues and other unrestricted revenues.

Table III
TOTAL AND NET COST OF SERVICES
Years Ended December 31, 2019 and 2018

| | Total Cost Year Ended December 31, 2019 | Net Cost Year Ended December 31, 2019 | Total Cost Year Ended December 31, 2018 | Net Cost Year Ended December 31, 2018 |
|---|--|--|--|--|
| Personnel services | \$ 554,948 | \$ 554,948 | \$ 535,799 | \$ 535,799 |
| Building and grounds | 95,483 | 28,503 | 1,179,792 | 1,093,657 |
| Fees and services | 56,656 | 56,656 | 58,683 | 58,683 |
| Materials and supplies | 224,903 | 193,658 | 231,182 | 166,315 |
| Capital campaign | 20,298 | 20,298 | | |
| Programs and professional activities | 11,435 | 11,435 | 3,714 | 3,714 |
| | <u>\$ 963,723</u> | <u>\$ 865,498</u> | <u>\$ 2,009,170</u> | <u>\$ 1,858,168</u> |

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The purpose of the Library's governmental funds is to provide information on the near-term inflows, outflows and balances of available resources. Unreserved fund balance generally can be used as a measure of the Library's resources available for spending as of the end of the year. Those funds are accounted for using the modified accrual basis of accounting. The Library's governmental funds had total revenues of \$1,024,330 and expenditures of \$842,415 for the year ending December 31, 2019.

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
Year Ended December 31, 2019

The Library's governmental funds had total revenues of \$1,071,901 and expenditures of \$1,391,721 for the year ending December 31, 2018. As of December 31, 2019, the unreserved fund balance of the Library's general fund was \$771,797. As of December 31, 2018, the unreserved fund balance of the Library's general fund was \$590,151.

GENERAL FUND BUDGET HIGHLIGHTS

General fund total revenues for 2019 were \$1,023,388 in comparison to total expenditures of \$841,742. The ending fund balance increased by \$181,646 to a balance of \$771,797 on December 31, 2019. The ending balance is approximately 92% of total expenditures for the year. Revenues decreased by \$48,158 and expenditures decreased by \$549,586. The 2019 revenue budget was decreased by \$14,781 from \$1,024,517 to \$1,009,736 with the minor changes in various categories. The 2019 expenditure budget was increased by \$7,200 from \$1,011,700 to \$1,018,900 with the largest change being in personnel services and capital outlay. General fund total revenues for 2018 were \$1,071,546 in comparison to total expenditures of \$1,391,328. The ending fund balance decreased by \$319,782 to a balance of \$590,150 on December 31, 2018. The ending balance was approximately 42% of total expenditures for the year.

CAPITAL ASSETS

As of December 31, 2019, JAMES RIVER VALLEY LIBRARY SYSTEM had \$969,129 invested in net capital assets. Table IV shows the balances as of December 31, 2019 and 2018.

Table IV
CAPITAL ASSETS (net of accumulated depreciation)
December 31, 2019 and 2018

| | 2019 | 2018 |
|--|-------------------|---------------------|
| Land | \$ 6,000 | \$ 6,000 |
| Building and improvements | 519,656 | 519,656 |
| Bookmobile | 239,502 | 239,502 |
| Equipment and furniture | 254,685 | 233,151 |
| Books, periodicals and audio-visual material | 1,381,606 | 1,428,380 |
| | <u>2,401,449</u> | <u>2,426,689</u> |
| Less accumulated depreciation | (1,432,320) | (1,385,777) |
| Total Capital Assets (Net of Accumulated Depreciation) | <u>\$ 969,129</u> | <u>\$ 1,040,912</u> |

This total represents a net decrease of \$71,783 in capital assets from January 1, 2019. For a detailed breakdown of additions and deletions to capital assets, readers are referred to Note 3 of the audited financial statements that follow this analysis.

DEBT ADMINISTRATION

At December 31, 2019, the Library had \$399,335 of outstanding long-term debt. The long-term debt at December 31, 2019, consisted of \$9,889 for compensated absences, \$366,062 of net pension obligation and \$23,384 of net OPEB liability. At December 31, 2018, the Library had \$549,521 of outstanding long-term debt. The long-term debt at December 31, 2018, consisted of \$9,764 for compensated

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
MANAGEMENT'S DISCUSSION AND ANALYSIS - continued
Year Ended December 31, 2019

absences, \$517,100 of net pension obligation and \$22,657 of net OPEB liability. For more detailed information on the Library's debt, please refer to Note 5 of the basic financial statements.

FOR THE FUTURE

The Library Board developed a forward-thinking Strategic Plan in 2019 to enhance library services for our community. The Strategic Plan calls for expansion of outreach and programming, as well as development of a marketing plan to make people more aware of library services. Future projects for Alfred Dickey Library include cleaning the terra cotta tile on the exterior of the library, restoring the front steps, and addressing the crumbling floor on the west-side lower level. For Stutsman County Library, a landscaping project, which will include exterior rockwork, edging and plants, will be completed in 2020. In addition, the interior of SCL needs replacement of wood paneling, painting the interior, installing new carpet, and installing some new shelving. The Friends of the James River Valley Library System are raising funds for new technology at the library. The Library Board continues to seek unification of both library facilities by expanding ADPL, which will provide much needed space for patrons, programming, materials and library support services.

CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patrons, taxpayers and creditors with a general overview of **JAMES RIVER VALLEY LIBRARY SYSTEM'S** finances and to show the Library's accountability for the money it receives. Anyone who has questions about the information contained in this report or who is interested in receiving additional information is encouraged to contact the Library Director as follows:

Joseph Rector, Director
(701)252-2990
adpl@daktel.com
www.jamesriverlibrary.org

James River Valley Library System
105 3rd St. SE
Jamestown, ND 58401

James River Valley Library System
Statement of Net Position
December 31, 2019

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 213,402 |
| Investments | 56,657 |
| Due from other governmental agencies | 695,427 |
| Other receivables | 242 |
| Prepaid expenses | 10,232 |
| Restricted assets | |
| Hodge fund | 85,660 |
| Capital campaign | 33,598 |
| Centennial Initiative | 1,060 |
| Capital assets | |
| Land | 6,000 |
| Building and improvements | 519,656 |
| Bookmobile | 239,502 |
| Equipment and furniture | 254,685 |
| Books, periodicals and audio-visual material | 1,381,606 |
| Less: accumulated depreciation | <u>(1,432,320)</u> |
| Net Capital Assets | <u>969,129</u> |
| Total Assets | <u>2,065,407</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows of resources - related to pensions | 179,417 |
| Deferred outflows of resources - related to OPEB | <u>5,909</u> |
| Total Deferred Outflows of Resources | <u>185,326</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 2,250,733</u> |
| LIABILITIES | |
| Accounts payable and accrued expenses | \$ 13,337 |
| Due in more than one year | |
| Compensated absences | 9,889 |
| Net pension obligation | 366,062 |
| Net OPEB liability | <u>23,384</u> |
| Total Liabilities | <u>412,672</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows - related to pensions | 193,083 |
| Deferred inflows - related to OPEB | <u>730</u> |
| Total Deferred Inflows of Resources | <u>193,813</u> |
| NET POSITION | |
| Net investment in capital assets | 969,129 |
| Restricted for: | |
| Hodge fund | 85,660 |
| Capital campaign | 33,598 |
| Centennial Initiative | 1,060 |
| Unrestricted | <u>554,801</u> |
| Total Net Position | <u>1,644,248</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>\$ 2,250,733</u> |

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

James River Valley Library System
Statement of Activities
Year Ended December 31, 2019

| <u>Functions/Programs</u> | Program Revenue | | | <u>Net (Expense)</u> <u>Revenue and Changes</u> <u>in Net Position</u> |
|--------------------------------------|-------------------|---------------------------------------|---|--|
| | <u>Expenses</u> | <u>Charges for</u> <u>Services</u> | <u>Operating</u> <u>Grants and</u> <u>Contributions</u> | <u>Governmental</u> <u>Activities</u> |
| | | | <u>Capital Grants</u> <u>and Contributions</u> | |
| Governmental activities | | | | |
| Personnel services | \$ 554,948 | \$ | \$ | \$ (554,948) |
| Building and grounds | 95,483 | | 64,716 | (28,503) |
| Fees and services | 56,656 | | | (56,656) |
| Materials and supplies | 224,903 | 9,806 | 21,439 | (193,658) |
| Capital campaign | 20,298 | | | (20,298) |
| Programs and professional activities | 11,435 | | | (11,435) |
| Total governmental activities | <u>\$ 963,723</u> | <u>\$ 9,806</u> | <u>\$ 86,155</u> | <u>\$ (865,498)</u> |
| | | | <u>2,264</u> | |
| | | | <u>\$</u> | |
| | | | | 954,861 |
| | | | | 506 |
| | | | | 942 |
| | | | | <u>956,309</u> |
| | | | | 90,811 |
| | | | | 1,553,437 |
| | | | | <u>\$ 1,644,248</u> |

General revenues:

Taxes:

Property taxes, levied for general purposes

Unrestricted investment earnings

Restricted investment earnings

Total general revenues

Change in net position

Net Position:

Beginning of year

End of year

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

**James River Valley Library System
Balance Sheet
Governmental Funds
December 31, 2019**

| | General Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|---|---|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | |
| Cash and cash equivalents | \$ 213,402 | \$ 204 | \$ 213,606 |
| Investments | 56,657 | | 56,657 |
| Taxes receivable, net | 695,427 | | 695,427 |
| Other receivables | 243 | | 243 |
| Prepaid expenses | 10,232 | | 10,232 |
| Restricted cash | 34,658 | 85,456 | 120,114 |
| Total Assets and Deferred Outflows of Resources | \$ 1,010,619 | \$ 85,660 | \$ 1,096,279 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 13,337 | \$ | \$ 13,337 |
| Total Liabilities | 13,337 | | 13,337 |
| Deferred Inflows of Resources | | | |
| Unavailable revenue | 225,485 | | 225,485 |
| Fund balances: | | | |
| Nonspendable | 10,232 | | 10,232 |
| Restricted | 34,658 | 85,660 | 120,318 |
| Assigned | 56,657 | | 56,657 |
| Unassigned | 670,250 | | 670,250 |
| Total Fund Balances | 771,797 | 85,660 | 857,457 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 1,010,619 | \$ 85,660 | \$ 1,096,279 |

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

James River Valley Library System
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2019

| | | |
|---|----|-----------|
| Total fund balance, governmental funds | \$ | 857,457 |
| <p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p> | | |
| <p>Capital assets used in governmental activities are not current financial resources, and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.</p> | | 969,129 |
| <p>Some of the property tax revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and therefore are not currently recognized as revenue in the funds.</p> | | 225,484 |
| <p>Net OPEB liability and OPEB related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of:</p> | | |
| Net OPEB liability | | (23,384) |
| Deferred outflows of resources | | 5,909 |
| Deferred inflows of resources | | (730) |
| <p>Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the funds. These amounts consist of:</p> | | |
| Net pension liability | | (366,062) |
| Deferred outflows of resources | | 179,417 |
| Deferred inflows of resources | | (193,083) |
| <p>Some liabilities (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable) are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position</p> | | (9,889) |
| Net Position of Governmental Activities in the Statement of Net Position | \$ | 1,644,248 |

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

James River Valley Library System
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2019

| | <u>General Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--------------------------------------|---------------------|---|---|
| REVENUES | | | |
| Property taxes | \$ 924,658 | \$ | \$ 924,658 |
| Intergovernmental | 43,326 | | 43,326 |
| Charges for services | 9,805 | | 9,805 |
| Investment earnings | 506 | 942 | 1,448 |
| Miscellaneous | 45,093 | | 45,093 |
| Total Revenues | <u>1,023,388</u> | <u>942</u> | <u>1,024,330</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Personnel services | 505,422 | | 505,422 |
| Building and grounds | 81,779 | | 81,779 |
| Fees and services | 60,804 | | 60,804 |
| Materials and supplies | 25,328 | | 25,328 |
| Programs and professional activities | 20,017 | | 20,017 |
| Capital Campaign | 20,299 | | 20,299 |
| Capital outlay | 128,093 | 673 | 128,766 |
| Total Expenditures | <u>841,742</u> | <u>673</u> | <u>842,415</u> |
| Net Change in Fund Balances | 181,646 | 269 | 181,915 |
| Fund Balances - Beginning | <u>590,151</u> | <u>85,391</u> | <u>675,542</u> |
| Fund Balances - Ending | <u>\$ 771,797</u> | <u>\$ 85,660</u> | <u>\$ 857,457</u> |

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

James River Valley Library System
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2019

| | | |
|--|----|----------|
| Net change in fund balances - total governmental funds: | \$ | 181,915 |
| <p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p> | | |
| <p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which depreciation (\$192,673) exceeded capital outlays (\$120,890) in the current period.</p> | | (71,782) |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources, such as deferred pension expense and OPEB expense</p> | | (49,400) |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds (compensated absences)</p> | | (125) |
| <p>Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.</p> | | 30,203 |
| Change in net position of governmental activities | \$ | 90,811 |

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

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2019

1. Summary of Significant Accounting Policies

The Library's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles. The Library's significant accounting policies are described below.

A. Description of the Reporting Entity

The James River Valley Library System is governed by a seven member board, three appointed by the City of Jamestown, three appointed by Stutsman County, and both Boards will jointly elect the seventh member. It operates a free public library for the citizens of the City of Jamestown and Stutsman County, North Dakota.

B. Reporting Entity

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the government. The Library is a component unit of Stutsman County, North Dakota, and has been included in that oversight body's financial statements. No component units of the Library have been excluded from this report.

C. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. The Library does not report any business-type activities.

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. The Library does not allocate indirect expenses to functions in the Statement of Activities. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2019

C. Basis of Presentation - continued

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues and expenditures.

Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.
3. In addition, any other governmental fund that the Library believes is particularly important to financial statement users may be reported as a major fund.

Governmental Funds

Governmental funds are utilized to account for most of the Library's governmental functions. The Library reports the following major fund.

General Fund

The General fund is the operating fund of the Library and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

The Library reports the following non-major fund:

Special Revenue Fund

Hodge Fund

D. Basis of Accounting

The government-wide Statement of Net Position and Statement of Activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2019

D. Basis of Accounting - continued

Governmental funds follow the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Library considers revenues to be available if they are collected within 60 days of the end of its fiscal year. Expenditures are recorded when the related fund liability is incurred, except for interest not matured on long-term debt, claims, judgments, compensated absences, pension and OPEB expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property tax revenue is recorded as revenue in the year the tax is levied in the government-wide financial statements. Property tax revenues in the governmental funds are recorded when it becomes available.

Property taxes are levied and certified no later than October 10 and property taxes attach as an enforceable lien on property as of January 1 and are due and payable at that time. The first installment of taxes becomes delinquent March 1 and the second installment on October 15. The taxes are collected by the County Treasurer and remitted to the City of Jamestown and in turn remitted to the Library on a monthly basis.

State general and categorical aids and other entitlements are recognized as revenue in the period the Library is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the Library which are not available are recorded as receivables and deferred revenue. Amounts received prior to the entitlement period are also recorded as deferred revenue.

Revenues susceptible to accrual include property taxes and investment income.

Charges for services provided by private parties are recognized as revenues when services are provided.

For governmental fund financial statements, deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received before the Library has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the Library has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

E. Measurement Focus

On the government-wide Statement of Net Position and Statement of Activities governmental activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2019

E. Measurement Focus - continued

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds, and debt retirements are reflected in operations. Resources not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity.

Liabilities for claims, judgments, compensated absences, pension and OPEB contributions that will not be currently liquidated using expendable available financial resources are included as liabilities in the government-wide financial statements but are excluded from the governmental fund financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

F. 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

G. Deposits and Investments

The Library maintains deposits at depository banks that are members of the Federal Reserve System. North Dakota laws require all public deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. At December 31, 2019, the Library's deposits were adequately covered in accordance with state statutes. Authorized collateral includes bills, notes, or bonds issued by the United States government, its agencies or instrumentality's, 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 instrumentality's or by any county, city, township, school district, park district, or 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 any other state of the United States or such other securities approved by the banking board.

Interest rate risk. The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. North Dakota State Statute limits local governments to invest in:

1. Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an 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 the type listed above.

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2019

G. Deposits and Investments - continued

3. Certificates of Deposit fully insured by the federal deposit insurance corporation.
4. Obligations of the state.

James River Valley Library System has no investments other than fully insured or collateralized demand and time deposits.

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the library's deposits may not be returned to it. The library does not have a deposit policy for custodial credit risk. As of December 31, 2019, the Library's deposits are fully insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the financial institution in the Library's name.

H. Capital Assets

Government-Wide Statements

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported as assets in the fund financial statements. All capital assets are recorded at cost or an approximation of cost. The assets are updated for additions and retirements during the year. The Library has established a capitalization threshold of \$100. Donated capital assets are recorded at their fair market value at the date received. The Library does not have any infrastructure assets. Improvements that significantly extend the useful life of the asset are also capitalized.

The Library's land and prepaid building costs are capitalized but not depreciated. All the remaining capital assets are depreciated over their estimated useful lives on a straight-line basis. The Library has established the following useful lives:

| | |
|--|---------------|
| Building and improvements | 25 years |
| Bookmobile | 20 years |
| Equipment and furniture | 5 to 10 years |
| Books, periodicals and audio-visual material | 10 years |

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets are not capitalized and related depreciation is not reported in the fund financial statements.

I. Long-Term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2019

I. Long-Term Obligations - continued

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide financial statements. The long-term debt consists primarily of compensated absences, pension and OPEB liabilities.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing resources. The payment of principal and interest are reported as expenditures.

J. Compensated Absences

The Library allows employees to accumulate vacation and carry it over 6 months. Vacation is accrued depending on position and years of service from 1 hour for every 52 hours worked up to 4 hours for every 52 hours worked. Upon termination, no sick leave is paid but any unused vacation will be paid if the employee terminates after the three-month probationary period. The amount to be paid from current resources is not significant.

K. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt.
2. Restricted net position - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, (2) law through constitutional provisions or enabling legislation. The Library's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.
3. Unrestricted net position - all other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Statements

In the governmental fund financial statements, fund balances are classified as nonspendable, restricted, assigned or unassigned.

Nonspendable fund balance represents a portion of fund balance that 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.

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2019

K. Equity Classifications - continued

Restricted fund balance represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Assigned fund balance represents amount constrained by the government's intent to be used for specific purposes, but neither restricted nor committed. The Library is only allowed to spend what has been approved by the Library's Board of Directors.

Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund.

The first priority is to utilize the restricted before unrestricted fund balance when both are available.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from the NDPERS's fiduciary net position have been determined on the same basis as they are reported by NDPERS. 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.

M. Other Post Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS's fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

2. Cash and Cash Equivalents

The following summary presents the amount of the Library's deposits which are fully insured or collateralized with securities held by the Library or its agent in the Library's name (Category 1), those deposits which are collateralized with securities held by the pledging financial institutions trust department or agent in the Library's name (Category 2), and those deposits held by the pledging financial institutions or by its trust department or agent, but not in the Library's name (Category 3) at December 31, 2019. Cash is carried at cost plus accrued interest. The Library's cash on hand of \$306 has been excluded from the amounts shown below.

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2019

2. Cash and Cash Equivalents - continued

| | Category 1 | Category 2 | Bank Balance | Carrying Amount |
|--------------------------------------|-------------------|------------|-------------------|--------------------|
| Unrestricted cash deposits | \$ 215,032 | \$ | \$ 215,032 | \$ 213,096 |
| Unrestricted certificates of deposit | 56,657 | | 56,657 | 56,657 |
| Restricted cash deposits | 1,264 | | 1,264 | 1,264 |
| Restricted certificates of deposit | 85,456 | | 85,456 | 85,456 |
| | <u>\$ 358,409</u> | <u>\$</u> | <u>\$ 358,409</u> | <u>\$ 356,473</u> |

The Library also has funds invested through a local investment company in the amount of \$33,598. All of the funds are either in money market accounts or certificates of deposit which are fully insured by the Federal Deposit Insurance Company at the banks where the funds are held.

3. Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

| | Balance 12/31/18 | Additions | Deletions | Balance 12/31/19 |
|--|---------------------|--------------------|----------------|---------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 6,000 | \$ | \$ | \$ 6,000 |
| Total Capital Assets Not Being Depreciated | <u>6,000</u> | | | <u>6,000</u> |
| Capital Assets Being Depreciated | | | | |
| Building and improvements | 519,656 | | | 519,656 |
| Bookmobile | 239,502 | | | 239,502 |
| Equipment and furniture | 233,151 | 21,534 | | 254,685 |
| Books, periodicals and audio-visual material | 1,428,380 | 99,356 | 146,130 | 1,381,606 |
| Total Capital Assets Being Depreciated | <u>2,420,689</u> | <u>120,890</u> | <u>146,130</u> | <u>2,395,449</u> |
| Total Capital Assets | <u>2,426,689</u> | <u>120,890</u> | <u>146,130</u> | <u>2,401,449</u> |
| Less Accumulated Depreciation for: | | | | |
| Building and improvements | 300,766 | 10,872 | | 311,638 |
| Bookmobile | 23,950 | 11,975 | | 35,925 |
| Equipment and furniture | 140,575 | 30,465 | | 171,040 |
| Books, periodicals and audio-visual material | 920,486 | 139,361 | 146,130 | 913,717 |
| Total Accumulated Depreciation | <u>1,385,777</u> | <u>192,673</u> | <u>146,130</u> | <u>1,432,320</u> |
| Net Capital Assets | <u>\$ 1,040,912</u> | <u>\$ (71,783)</u> | <u>\$</u> | <u>\$ 969,129</u> |
| Depreciation expense by function | | | | |
| Building and grounds | | | | \$ 10,872 |
| Material and supplies | | | | 181,801 |
| Total Depreciation Expense | | | | <u>\$ 192,673</u> |

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2019

4. Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. Deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date in the amount of \$179,417 and OPEB contributions of \$5,909 will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

In addition to liabilities, the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library currently has deferred inflows of resources related to pensions of \$193,083 and OPEB inflows of \$730. The Library has unavailable revenue from a variety of sources in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Long-Term Obligations

Long-term liability activity for the year ended December 31, 2019, was as follows:

| | Balance 12/31/18 | Increases | Decreases | Balance 12/31/19 | Amounts Due Within One Year |
|------------------------|---------------------|---------------|-------------------|---------------------|-----------------------------------|
| Compensated absences | \$ 9,764 | \$ 125 | \$ | \$ 9,889 | \$ |
| Net pension obligation | 517,100 | | 151,038 | 366,062 | |
| Net OPEB liability | 22,657 | 727 | | 23,384 | |
| | <u>\$549,521</u> | <u>\$ 852</u> | <u>\$ 151,038</u> | <u>\$399,335</u> | <u>\$</u> |

6. Lease Commitments

Effective August 21, 2017, the Library entered into a lease agreement with Stutsman County for the space to operate the Stutsman County Library for a term of 20 years. Lease expense is \$1 per year. The Library leases its copier under a sixty-month lease and a postage meter under a sixty-three-month lease. Lease expense for the year ended 2019 was \$2,448.

Future minimum lease commitments under the lease agreements are as follows:

| | |
|------|--------|
| 2020 | \$ 660 |
| 2021 | 660 |
| 2022 | 660 |
| 2023 | 165 |

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2019

7. North Dakota Public Employees Retirement System (Main System)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2019

7. North Dakota Public Employees Retirement System (Main System) - continued

under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refund of Member Account Balance

Upon termination, if a member of the Main system is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

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

At December 31, 2019, the Library reported a liability of \$366,062 for its proportionate share of the net pension liability. The net pension liability was measured as of July 01, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library's proportion of the net pension liability was based on the Library's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At July 01, 2019, the Employer's proportion was .031232 percent, which was an increase of .000592 percent from its proportion measured as of July 1, 2018.

For the year ended December 31, 2019, the Library recognized pension expense of \$75,138. At December 31, 2019, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2019

7. North Dakota Public Employees Retirement System (Main System) - continued

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 216 | \$ 66,433 |
| Changes of assumptions | 136,788 | 117,444 |
| Net difference between projected and actual earnings on pension plan investments | 6,378 | |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 23,610 | 9,206 |
| Employer contributions subsequent to the measurement date | 12,425 | |
| Total | <u>\$ 179,417</u> | <u>\$ 193,083</u> |

Deferred outflows of resources related to pensions in the amount of \$12,425 resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

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

| Year ended December 31: | |
|--------------------------------|-----------|
| 2020 | \$ 20,586 |
| 2021 | 8,039 |
| 2022 | (12,815) |
| 2023 | (31,807) |
| 2024 | (10,094) |

Actuarial assumptions. The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | | |
|------------------|-------------------|-----------------------|
| Inflation | 2.50% | |
| Salary increases | | |
| | Service at | State |
| | beginning of year | Employee |
| | 0 | 12.00% |
| | 1 | 9.50% |
| | 2 | 7.25% |
| | Age* | |
| | Under 30 | 7.25% |
| | 30 – 39 | 6.50% |
| | 40 – 49 | 6.25% |
| | 50 – 59 | 5.75% |
| | 60+ | 5.00% |
| | | Non-State Employee |
| | | 15.00% |
| | | 10.00% |
| | | 8.00% |
| | | 10.00% |
| | | 7.50% |
| | | 6.75% |
| | | 6.50% |
| | | 5.25% |

*Age-based salary increase rates apply for employees with three or more years of service

| | |
|-----------------------------|-----------------------------------|
| Investment rate of return | 7.75%, net of investment expenses |
| Cost-of- living adjustments | None |

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2019

7. North Dakota Public Employees Retirement System (Main System) - continued

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------------|--------------------------|---|
| Domestic Equity | 30% | 6.05% |
| International Equity | 21% | 6.71% |
| Private Equity | 7% | 10.20% |
| Domestic Fixed Income | 23% | 1.45% |
| International Fixed Income | 0% | 0.00% |
| Global Real Assets | 19% | 5.11% |
| Cash Equivalents | 0% | 0.00% |

Discount rate. For PERS. GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2019

7. North Dakota Public Employees Retirement System (Main System) - continued

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.32 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32percent) or 1-percentage-point higher (7.32 percent) than the current rate:

| | 1% Decrease (5.32%) | Current Discount Rate (6.32%) | 1% Increase (7.32%) |
|---|------------------------|----------------------------------|------------------------|
| Employer's proportionate share of the net pension liability | \$ 524,854 | \$ 366,062 | \$ 232,649 |

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

8. Other Post Employment Benefits (OPEB)

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2019

8. Other Post-Employment Benefits (OPEB) - continued

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2019, the Library reported a liability of \$23,384 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Library's proportion of the net OPEB liability was based on the Library's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019, the Library's proportion was .029114% which was an increase of .000456% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Library recognized OPEB expense of \$3,268. At December 31, 2019, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 577 | \$ 730 |
| Changes of assumptions | 2,787 | |
| Net difference between projected and actual earnings on OPEB plan investments | 26 | |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 530 | |
| Employer contributions subsequent to the measurement date | 1,989 | |
| Total | <u>\$ 5,909</u> | <u>\$ 730</u> |

\$1,989 reported as deferred outflows of resources related to OPEB resulting from Library contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020.

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2019

8. Other Post-Employment Benefits (OPEB) - continued

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended December 31: | |
|--------------------------------|--------|
| 2020 | \$ 519 |
| 2021 | 519 |
| 2022 | 737 |
| 2023 | 697 |
| 2024 | 439 |
| 2025 | 237 |
| Thereafter | 42 |

Actuarial Assumptions. The total OPEB liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------|-----------------------------------|
| Inflation | 2.50% |
| Salary increases | Not applicable |
| Investment rate of return | 7.50%, net of investment expenses |
| Cost-of- living adjustments | None |

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of future real rates of return (expended returns, net of RHIP 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2019, are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|-----------------------------|--------------------------|---|
| Large Cap Domestic Equities | 37% | 5.80% |
| Small Cap Domestic Equities | 9% | 7.05% |
| International Equities | 14% | 6.20% |
| Core-Plus Fixed Income | 40% | 1.56% |

Discount rate. The discount rate used to measure the total OPEB liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018 and July 1, 2017 HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2019

8. Other Post-Employment Benefits (OPEB) - continued

benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percent –point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|--|-----------------------|---------------------------------|-----------------------|
| Employer's proportionate share of the net OPEB liability | \$ 29,847 | \$ 23,384 | \$ 17,852 |

9. Risk Management

The Library is exposed to various risks including but not limited to losses from workers' compensation, care of employee health, boiler and general liability/property.

The Library participates in the medical self-insurance plan of the City of Jamestown, North Dakota. The plan provides health insurance coverage up to \$20,000 for each employee. In addition, the City has purchased commercial insurance coverage for claims in excess of a predetermined amount. Additional information regarding the plan can be found in the primary government financial statements of the City of Jamestown, North Dakota.

The Library participates in the North Dakota Insurance Reserve Fund (NDRF) entity risk pool established by certain municipalities ("members") in NDRF to provide liability coverage. The Library's payments to NDRF are displayed on the financial statements as expenditures/expenses in appropriate funds. The purpose of the NDRF is to act as a joint self-insurance pool for the purpose of seeking the prevention or lessening of liability claims for injuries to persons or property or claims for errors and omissions made against the Members and other parties included within the scope of coverage of the NDRF. The Library does not exercise any control over the activities of the NDRF.

The Library's risk for workers' compensation is covered by premiums paid to the North Dakota Workforce Safety and Insurance. It was created by the Legislature of the State of North Dakota. The Library's risk for property coverage is covered by premiums paid to the North Dakota State Fire and Tornado Fund. The Fund was established by the State of North Dakota to insure political subdivisions and certain other entities against loss to public buildings and permanent contents from damage caused by fire, tornadoes and other types of risks. There was no significant reduction in coverage. Settled claims from these risks have not exceeded commercial coverage for the past three years.

JAMES RIVER VALLEY LIBRARY SYSTEM
Jamestown, North Dakota
NOTES TO FINANCIAL STATEMENTS - continued
Year Ended December 31, 2019

10. Capital Campaign

During 2013, the Library began a capital campaign to secure funding for the construction of a new library. Funds from the former Alfred Dickey Library Foundation, which disbanded in 2013, in the amount of \$15,242 plus actual dollars raised in 2013 in the amount of \$13,254 were transferred to the Jamestown Community Foundation which is acting as the fiscal agent for the funds. Total funds as of December 31, 2018, were \$31,249. Total Funds as of December 31, 2019, were \$33,598.

**REQUIRED
SUPPLEMENTARY INFORMATION**

**James River Valley Library System
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
Year ended December 31, 2019**

Budgetary Comparison Schedule - General Fund

| | <u>Budgeted Amounts</u> | | | <u>Actual Amounts, Budgetary Basis</u> | | <u>Variance with Final Budget - Positive (Negative)</u> |
|--------------------------------------|-------------------------|-------------------|----|--|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>Actual</u> | <u>Budgetary</u> | |
| REVENUES | | | | | | |
| Property taxes | \$ 952,767 | \$ 945,986 | \$ | 922,963 | \$ (23,023) | |
| Intergovernmental | 40,000 | 42,000 | | 43,326 | 1,326 | |
| Charges for services | 11,000 | 11,000 | | 9,806 | (1,194) | |
| Investment earnings | 250 | 250 | | 506 | 256 | |
| Miscellaneous | 20,500 | 10,500 | | 45,093 | 34,593 | |
| Total Revenues | <u>1,024,517</u> | <u>1,009,736</u> | | <u>1,021,694</u> | <u>11,958</u> | |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Personnel services | 580,000 | 611,500 | | 505,577 | 105,923 | |
| Buildings and grounds | 75,400 | 75,100 | | 86,827 | (11,727) | |
| Fees and services | 63,600 | 61,100 | | 59,831 | 1,269 | |
| Material and supplies | 65,100 | 80,600 | | 28,215 | 52,385 | |
| Programs and professional activities | 23,500 | 29,500 | | 20,289 | 9,211 | |
| Capital Campaign | 204,100 | 160,100 | | 20,536 | (19,536) | |
| Capital outlay | 1,011,700 | 160,100 | | 128,314 | 31,786 | |
| Total Expenditures | <u>1,011,700</u> | <u>1,018,900</u> | | <u>849,589</u> | <u>169,311</u> | |
| Net Change in Fund Balances | 12,817 | (9,164) | | 172,105 | 181,269 | |
| Fund Balances - Beginning | <u>361,369</u> | <u>361,369</u> | | <u>367,369</u> | <u>6,000</u> | |
| Fund Balances - Ending | <u>\$ 374,186</u> | <u>\$ 352,205</u> | | <u>\$ 539,474</u> | <u>\$ 187,269</u> | |

**James River Valley Library System
Required Supplementary Information
Year ended December 31, 2019**

Notes to Required Supplementary Information

**Note A - Explanation of Differences Between Budgetary Inflows
and Outflows and GAAP Revenues**

Sources/Inflows of Resources

| | |
|---|----------------------------|
| Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule | \$ 1,021,694 |
| Differences - budget to GAAP | |
| Taxes receivable collected in first 60 days of 2020 are not considered revenues for budgetary purposes | 469,942 |
| Taxes receivable collected in the first 60 days of 2019 are considered revenues for budgetary purposes | <u>(468,248)</u> |
| Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | <u><u>\$ 1,023,388</u></u> |

Uses/Outflows of Resources

| | |
|---|--------------------------|
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 849,589 |
| Differences - budget to GAAP | |
| Accounts payable accrued at the end of 2019 are not considered expenditures for budgetary purposes | 7,599 |
| Accounts payable accrued at the end of 2018 are considered expenditures for budgetary purposes | (16,346) |
| Prepaid expenses for 2020 are considered expenditures for budgetary purposes | (10,232) |
| Prepaid expenses for 2019 are not considered expenditures for budgetary purposes | <u>11,132</u> |
| Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | <u><u>\$ 841,742</u></u> |

Note B - Budgets and Budgetary Accounting

The Library's budget is prepared so that budgeted revenue and expenditures can be compared to the cash basis of accounting. All annual appropriations lapse at year end. The Library Director presents the budget to the Board of Directors at the beginning of the year. The Board approves the budget. The monthly financial reports are prepared showing a comparison of budgeted expenditures to actual. Budgets may be amended during the year to change expenditures. The Library does not use encumbrance accounting.

James River Valley Library System
Required Supplementary Information
Schedule of Library's Share of Net Pension Liability
ND Public Employees Retirement System
Last 10 Fiscal Years*

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|------------|------------|------------|------------|------------|
| Employer's proportion of the net pension liability | 0.031232% | 0.030641% | 0.03216% | 0.03293% | 0.02771% |
| Employer's proportionate share of the net pension liability | \$ 366,062 | \$ 517,100 | \$ 485,670 | \$ 320,954 | \$ 193,744 |
| Employer's covered payroll | \$ 324,868 | \$ 314,780 | \$ 308,456 | \$ 331,876 | \$ 246,891 |
| Employer's proportionate share of the net pension liability as a percentage of its covered - employee payroll | 112.68% | 164.27% | 157.45% | 96.71% | 78.47% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.66% | 62.80% | 61.98% | 70.46% | 77.15% |

*Complete data for this schedule is not available prior to 2015.

Schedule of Library's Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years*

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-------------|-------------|-------------|-------------|-------------|
| Statutorily required contributions | \$ 23,652 | \$ 23,185 | \$ 22,367 | \$ 24,027 | \$ 18,753 |
| Contributions in relation to the statutorily required contributions | \$ (24,263) | \$ (22,679) | \$ (23,664) | \$ (22,688) | \$ (20,246) |
| Contribution deficiency (excess) | \$ (611) | \$ 506 | \$ (1,297) | \$ 1,339 | \$ (1,493) |
| Employer's covered-employee payroll | \$ 324,868 | \$ 314,780 | \$ 308,456 | \$ 331,876 | \$ 246,891 |
| Contributions as a percentage of covered-employee payroll | 7.47% | 7.20% | 7.67% | 6.84% | 8.20% |

*Complete data for this schedule is not available prior to 2015.

Change in assumptions

Amounts reported in 2019 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**James River Valley Library System
Required Supplementary Information
Schedule of Library's Share of Net OPEB Liability
ND Public Employees Retirement System
Last 10 Fiscal Years***

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-------------|-------------|-------------|
| Employer's proportion of the net OPEB liability | 0.029114% | 0.028768% | 0.028512% |
| Employer's proportionate share of the net OPEB liability | \$ 23,384 | \$ 22,657 | \$ 22,553 |
| Employer's covered-employee payroll | \$ 324,868 | \$ 314,780 | \$ 308,456 |
| Employer's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll | 7.20% | 7.20% | 7.31% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 63.13% | 61.89% | 59.78% |

*Complete data for this schedule is not available prior to 2017.

**James River Valley Library System
Required Supplementary Information
Schedule of Library's OPEB Contributions
ND Public Employees Retirement System
Last 10 Fiscal Years***

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|-------------|-------------|-------------|
| Statutorily required contributions | \$ 3,778 | \$ 3,692 | \$ 3,586 |
| Contributions in relation to the statutorily required contributions | \$ 3,885 | \$ 3,631 | \$ 3,789 |
| Contribution deficiency (excess) | \$ (107) | \$ 61 | \$ (203) |
| Employer's covered-employee payroll | \$ 324,868 | \$ 314,780 | \$ 308,456 |
| Contributions as a percentage of covered-employee payroll | 1.20% | 1.15% | 1.23% |

*Complete data for this schedule is not available prior to 2017.

Change in assumptions

Amounts reported in 2019 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.



Schauer & Associates, P.C.

Certified Public Accountants

**INDEPENDENT AUDITORS' 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***

Board of Directors
James River Valley Library System
Jamestown, 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, each major fund and aggregate remaining fund information of the **JAMES RIVER VALLEY LIBRARY SYSTEM**, Jamestown, North Dakota, a component unit of the STUTSMAN COUNTY, NORTH DAKOTA, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the **JAMES RIVER VALLEY LIBRARY SYSTEM'S** basic financial statements and have issued our report thereon dated July 1, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered **JAMES RIVER VALLEY LIBRARY SYSTEM'S** internal control over financial reporting (internal control) to determine the 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 **JAMES RIVER VALLEY LIBRARY SYSTEM'S** internal control. Accordingly, we do not express an opinion on the effectiveness of **JAMES RIVER VALLEY LIBRARY SYSTEM'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we considered to be a significant deficiency. (2015-001)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **JAMES RIVER VALLEY LIBRARY SYSTEM'S** financial statements are free from material misstatement, we performed tests of its

INDEPENDENT AUDITORS' 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 - continued

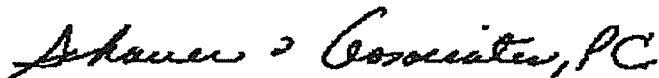
compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

James River Valley Library System's Response to Finding

James River Valley Library System's response to the finding identified in our audit is described in the accompanying schedule of findings. James River Valley Library System's response was not subjected to the auditing procedures applied in the audit 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 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.



SCHAUER & ASSOCIATES, P.C.
Certified Public Accountants

Jamestown, ND
July 1, 2020

**James River Valley Library System
Jamestown, North Dakota
Financial Statement Findings
Year ended December 31, 2019**

Finding 2015-001 Significant Deficiency - Financial Statement Preparation

Condition

The Library does not have an internal control system over financial reporting designed to provide for the preparation of the financial statements, including accompanying note disclosures, as required by Generally Accepted Accounting Principles (GAAP). Thus, management has elected to have the financial statements and note disclosures be prepared by the auditors.

Criteria

Management of the Library is responsible for establishing proper internal control over the preparation of the Library's annual financial statements to ensure that financial statements and note disclosures are reliable, accurate, free of material misstatement, and in accordance with GAAP.

Cause

Management may not be fully aware of how to prepare basic financial statements that comply with GAAP and has chosen to have the auditors assist in the preparation of the financial statements and note disclosures.

Effect

There is an increased risk of material misstatement to the Library's financial statements.

Recommendation

We recommend that the Library design and implement internal controls over financial reporting to ensure financial statements are presented in accordance with GAAP. We further recommend management continued to obtain sufficient knowledge to ensure the financial statements are free from material misstatement.

View of Responsible Officials

The Library Board is aware of this condition. The Library Board will continue to request that Schauer & Associates, P.C. assist with preparation of financial statements; however, the Board will continue to instruct the Library administration to provide all requested schedules.