

Financial Statements

Meridian Library District
Includes Supplementary Information
Year Ended September 30, 2020



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Meridian Library District
Meridian, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements the governmental activities and each major fund of the Meridian Library District, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of 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 required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Meridian Library District, as of September 30, 2020, and the changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.





Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statement is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison and the schedule of employer's share of net pension liability and employer contributions information, as listed in the table of contents, 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 the 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2021, on our consideration of Meridian Library District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Meridian Library District's internal control over financial reporting and compliance.

Harris CPAs

Meridian, Idaho
January 20, 2021

BASIC FINANCIAL STATEMENTS

MERIDIAN LIBRARY DISTRICT
STATEMENT OF NET POSITION
September 30, 2020

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 8,388,624
Property taxes receivable	7,660,541
Sales tax receivable	82,210
Receivables, net	30,326
Prepaid expenses	97,826
Fixed assets, net	<u>4,325,591</u>
Total Assets	20,585,118
Deferred Outflows of Resources	
Pension obligations	<u>433,844</u>
Liabilities	
Accounts payable	60,001
Accrued liabilities	258,749
Compensated absences	235,558
Long term liabilities, due beyond one year:	
Net pension liability	<u>1,442,283</u>
Total Liabilities	1,996,591
Deferred Inflows of Resources	
Deferred tax revenue	7,650,566
Pensions	<u>78,691</u>
Total Deferred Inflows	<u>7,729,257</u>
Net Position:	
Restricted	1,339,734
Net Investment in Capital Assets	4,325,591
Unrestricted	<u>5,627,789</u>
Total Net Position	<u>\$ 11,293,114</u>

See notes to financial statements.

MERIDIAN LIBRARY DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

<u>PROGRAM REVENUES</u>				
<u>Expenses</u>	<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants &</u> <u>Contributions</u>	<u>Capital</u> <u>Grants &</u> <u>Contributions</u>	<u>Net (Expense)</u> <u>Revenue</u> <u>Changes in</u> <u>Net Position</u>
Functions / Programs				
Governmental Activities:				
Library services	\$ 5,240,086	\$ 33,152	\$ 102,644	\$ (5,104,290)
Supporting services	83,624			(83,624)
Depreciation – unallocated	447,678			(447,678)
Loss on disposal of capital assets	<u>151,341</u>			<u>(151,341)</u>
 Total Governmental Activities	 <u>\$ 5,922,729</u>	 <u>33,152</u>	 <u>102,644</u>	 <u>(5,786,933)</u>
 General Revenues				
				7,499,058
				95,385
				22,192
				<u>1,829</u>
				 Total General Revenues <u>7,618,464</u>
				 Change in Net Position 1,831,531
				 Net Position
				Beginning of Year <u>9,461,583</u>
				End of Year <u>\$ 11,293,114</u>

See notes to financial statements.

MERIDIAN LIBRARY DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2020

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 7,067,346	\$ 1,321,278	\$ 8,388,624
Property taxes receivable	7,660,541		7,660,541
Sales tax receivable	82,210		82,210
Receivables, net	30,326		30,326
Prepaid expenses	<u>97,826</u>		<u>97,826</u>
Total Assets	<u>\$ 14,938,249</u>	<u>\$ 1,321,278</u>	<u>\$ 16,259,527</u>
Liabilities			
Accounts payable	60,001		60,001
Accrued liabilities	<u>258,749</u>		<u>258,749</u>
Total Liabilities	318,750		318,750
Deferred Inflows of Resources			
Deferred tax revenue	7,650,566		7,650,566
Fund Balances			
Nonspendable	97,826		97,826
Restricted	18,456	1,321,278	1,339,734
Assigned	4,429,077		4,429,077
Unassigned	<u>2,423,574</u>		<u>2,423,574</u>
Total Fund Balances	<u>6,968,933</u>	<u>1,321,278</u>	<u>8,290,211</u>
Total Liabilities and Fund Balances	<u>\$ 14,938,249</u>	<u>\$ 1,321,278</u>	<u>\$ 16,259,527</u>

See notes to financial statements.

MERIDIAN LIBRARY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
September 30, 2020

Total fund balance – total governmental funds \$ 8,290,211

Amounts reported for governmental activities in the Statement of Net Position are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets, net of accumulated depreciation, consist of:

Cost of capital assets	9,329,937	
Accumulated depreciation	<u>(5,004,346)</u>	
Total capital assets, net of accumulated depreciation		4,325,591

Deferred outflows of resources not reported in the funds: 433,844

Long-term liabilities, applicable to governmental activities are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:

Net pension liability	<u>(1,442,283)</u>	
Total long-term liabilities		(1,442,283)

Long-term liabilities, including bonds payable and accrued leave, are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:

Compensated absences payable	<u>(235,558)</u>	
Total long-term liabilities		(235,558)

Deferred inflows of resources not reported in the funds: (78,691)

Total Net Position of Governmental Activities \$ 11,293,114

MERIDIAN LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Revenue			
Program Revenues			
Grants	\$ 102,644	\$	\$ 102,644
Fines and fees	23,899		23,899
Copy and print services	<u>9,253</u>		<u>9,253</u>
Total Program Revenue	135,796		135,796
General revenue			
Taxes	6,099,058	1,400,000	7,499,058
Earnings on investments	88,157	7,228	95,385
Donations and sponsorships	22,192		22,192
Other income	<u>1,829</u>		<u>1,829</u>
Total General Revenue	<u>6,211,236</u>	<u>1,407,228</u>	<u>7,618,464</u>
Total Revenue	6,347,032	1,407,228	7,754,260
Expenditures			
Library Services			
Salary and fringe benefits	3,557,325		3,557,325
Supplies, maintenance and operations	428,317		428,317
Collections and programs	679,773		679,773
Administrative	83,624		83,624
Professional services	39,493		39,493
Information technology	179,020		179,020
Library mobile services	6,843		6,843
Professional development	28,668		28,668
Other expenses	<u>4,421</u>		<u>4,421</u>
Total Library Services	5,007,484		5,007,484
Capital outlay	<u>429,961</u>	<u>85,312</u>	<u>515,273</u>
Total Expenditures	5,437,445	85,312	5,522,757
Excess of Revenue over Expenditures	909,587	1,321,916	2,231,503
Other Financing Sources (Uses)			
Transfers in (out)	<u>638</u>	<u>(638)</u>	<u>0</u>
Net Change in Fund Balances	910,225	1,321,278	2,231,503
Fund Balance			
Beginning of Year	<u>6,058,708</u>	<u>0</u>	<u>6,058,708</u>
End of Year	<u>\$ 6,968,933</u>	<u>\$ 1,321,278</u>	<u>\$ 8,290,211</u>

See notes to financial statements.

MERIDIAN LIBRARY DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

Net change in fund balances – total governmental funds \$ 2,231,503

Amounts reported for governmental activities in the
Statement of Activities are different because

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets are allocated
over their estimated useful lives as depreciation expense. In the current
period, these amounts are:

Capital outlay	515,273	
Disposal of capital assets	(151,341)	
Depreciation expense	(447,678)	
Excess of capital outlay over depreciation expense		(83,746)

Under the modified accrual basis of accounting is used in the
Governmental funds, expenditures are not recognized for
transactions that are not normally paid with expendable financial
resources. In the statement of activities, which is presented on the
accrual basis, expenses and liabilities are reported regardless of
financial resource availability.

Change in pension revenue	(264,656)	
Increase in compensated absence payable	(51,570)	
		(316,226)

Change in Net Position of Governmental Activities \$ 1,831,531

MERIDIAN LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies

General Statement

Meridian Library District (the District) was organized under the provisions of Idaho Code Section 33-2703. The District is supported by fines, fees, grants, property tax revenue and sales tax passed through Ada County. Under the direction of the District's board of trustees, staff provides technical support services.

Financial Reporting Entity

The general purpose financial statements, included herein, present the financial position, results of operations and changes in fund balance of certain governmental fund types of Meridian Library District. For financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by generally accepted accounting principles. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility including, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units for which they exercise authority over.

Meridian Library District is governed by an elected Board of Trustees which possesses final decision making authority and is held primarily accountable for those decisions. The Board of Trustees is responsible for approving the budget, establishing spending limitations, funding any deficits and borrowing funds and/or issuing bonds to finance construction.

Basis of Presentation - Government-Wide Financial Statements

The government-wide financial statements consist of a statement of net position and a statement of activities to report information about the District as a whole. The statement of net position reports all financial and capital resources. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from 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. Gains on the sale of capital assets are reported as general revenues, losses on the sale of capital assets are reported as function/program expenses. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

MERIDIAN LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Basis of Presentation – Fund financial Statements

Fund financial statements report detailed information about the District. The District has only governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. All remaining governmental funds are aggregated and presented in a single column as non-major funds.

The District reports the following major governmental funds:

- The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The *Capital Projects Fund* is used to account for financial resources to be used for the improvement, acquisition or construction of major capital assets. The Capital Projects Fund presented in the financial statements consists of Plant Facilities Levy collections used for the Orchard Park branch tenant improvements.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include: (1) fines and copy and print fees; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all ad valorem taxes.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. An exception to this is federal and state grants collected on a reimbursement basis, which are recognized as revenue when reimbursable expenditures are made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

MERIDIAN LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. In August, the District submits a proposed budget for the fiscal year commencing the following October 1 that is ratified by the governing body. The fiscal year 2020 budget was approved on August 21, 2019.
2. The Director is the disbursement officer for all funds in accordance with the approved budget.
3. Formal budgetary integration is employed as a management control device during the year for the General Fund.

The budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks, and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short-term maturities.

Investments

Idaho Code provides authorization for the investment of funds as well as specific direction regarding allowable investments. The District's policy is consistent with this direction. The District currently invests in interest bearing bank accounts and the State of Idaho local government investment pool.

MERIDIAN LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

The accounting treatment over equipment (fixed assets) depends on whether the assets are used in governmental fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements - In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Assets costing more than \$1,000 with a useful life of three years or more are included in capital assets. Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The district holds land, buildings and various pieces of equipment with useful lives between 3 – 40 years.

Fund Financial Statements - In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Accumulated Paid Time Off and Comp Time

The District provides paid time off (PTO) and compensatory time to its employees. It is the District's policy to permit employees to accumulate earned but unused PTO and compensatory time off. A liability is reported for unpaid accumulated PTO for full-time employees up to 320 hours and for part-time employees who work over 20 hours a week up to 160 hours. The liability is also reported for unpaid accumulated compensatory time for all non-exempt employees up to 240 hours.

MERIDIAN LIBRARY DISTRICT NOTES TO FINANCIAL STATEMENTS

Note A – Summary of Significant Accounting Policies (Continued)

Program Revenue

All restricted federal and state contracts are shown as program revenue. Revenue from contracts, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Program expenses are allocated to restricted program revenue when both restricted and unrestricted revenues are available.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows and inflows of resources. Deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future periods and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time. As of September 30, 2020, the District has deferred outflows of \$433,844 and deferred inflows of \$7,729,257 related to the pension plan and property taxes, respectively.

Unavailable and Advanced Revenue

The District reports unavailable and advanced revenues on its Statement of Net Position and Fund Balance Sheet. Advanced revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for advanced revenue is removed from the balance sheet and the revenue is recognized.

Pensions

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

MERIDIAN LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note B – Deposits with Financial Institutions and Investments

Idaho Code provides authorization for the investment of funds as well as specific direction regarding allowable investments. The District's policy is consistent with this direction.

Banking and Investment Policy

As of September 30, 2020 the District had deposits or investments in the following accounts:

1. US Bank – General Checking (federally insured)
2. First Interstate Bank – Payroll (federally insured)
3. State of Idaho – Local Government Investment Pool (uncategorized)

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents and they are carried at cost, which approximates market value.

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fund</u>
Federally Insured	\$ 385,132	\$ 496,241	General
Uncollateralized	3,527	101,433	General
Collateralized by securities held by the pledging financial institution:			
	6,678,687	6,678,687	General
	<u>1,321,278</u>	<u>1,321,278</u>	Capital Projects
	<u>\$ 8,388,624</u>	<u>\$ 8,597,639</u>	

Credit Risk

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's, and Fitch's. The LGIP terminated its rating service in December 2009 as the cost of the rating outweighed the benefit to the pool as a whole. The funds objectives and overall strategy and structure has not changed.

Interest Rate Risk

Interest rate risk is the risk that the changes in market interest rates will adversely impact the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to change in market interest rates. The District's banking and investment policy ranks yield behind safety and liquidity when making deposit and investment decisions, and invests accordingly to meet these policy requirements.

MERIDIAN LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note B – Deposits with Financial Institutions and Investments (Continued)

Custodial Credit Risk

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its deposits, investments, or collateral securities that are in the possession of an outside party. The Federal Deposit Insurance Corporation (FDIC) insures \$250,000 of the bank balance. At September 30, 2020, \$8,097,871 of the District's deposits in financial institutions were uninsured by the FDIC. \$7,999,965 of the uninsured balance was deposited in the LGIP.

Concentration of Credit Risk

When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration risk is present. The GASB has adopted a principal that governments should provide note disclosure when five percent of the total entities investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The District does not have any such investments.

Note C – Receivables

Receivables at September 30, 2020 are as follows:

2020 Property taxes	\$	7,614,434
2019 Property taxes		38,581
Previous years property taxes		<u>7,526</u>
Property taxes		7,660,541
Sales tax		82,210
Fines		48,232
Fines allowance		(38,103)
Other receivables		<u>20,197</u>
		<u>112,536</u>
Net total receivables	\$	<u>7,773,077</u>

MERIDIAN LIBRARY DISTRICT

NOTES TO FINANCIAL STATEMENTS

Note D – Pension Plan

Plan Description

The Meridian Library District contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

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

Employee membership data related to the PERSI Base Plan, as of June 30, 2020 was as follows:

Retirees and beneficiaries	49,573
Terminated and vested	13,788
Active plan members	
Vested	43,911
Non-vested	<u>29,746</u>
	<u>137,018</u>

Pension Benefits

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

MERIDIAN LIBRARY DISTRICT NOTES TO FINANCIAL STATEMENTS

Note D – Pension Plan (Continued)

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2020 it was 7.16% for general employees and 8.81% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.94% general employees and 12.28% for police and firefighters. The District's contributions were \$271,719 for the year ended September 30, 2020.

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

At September 30, 2020, Meridian Library District reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Meridian Library District's proportion of the net pension liability was based on Meridian Library District share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2020, Meridian Library District proportion was 0.0621103 percent.

MERIDIAN LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note D – Pension Plan (Continued)

For the year ended September 30, 2020, Meridian Library District recognized pension expense of \$522,331. At September 30, 2020 Meridian Library District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual expense	\$ 112,687	\$ 47,094
Changes in assumptions or other inputs	24,392	0
Net difference between projected and actual earnings on pension plan investments	165,313	0
Changes in the employer’s proportion and differences between the employer’s contributions and the employer’s proportionate contributions	54,461	31,597
Meridian Library District’s contributions subsequent to the measurement date	<u>76,991</u>	<u>0</u>
Total	<u>\$ 433,844</u>	<u>\$ 78,691</u>

\$76,991 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2020.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2019 the beginning of the measurement period ended June 30, 2019 is 4.8 and 4.8 for the measurement period June 30, 2020.

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

Year Ending <u>June 30,</u>	<u>Amount</u>
2021	(4,658)
2022	(60,755)
2023	(82,459)
2024	(107,427)
2025	0

MERIDIAN LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note D – Pension Plan (Continued)

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Salary inflation	3.75%
Investment rate of return, net of investment expenses	7.05%
Cost-of-living adjustments	1.00%.

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed for the period July 1, 2013 through June 30, 2017 which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability as of June 30, 2020 is based on the results of an actuarial valuation date of July 1, 2020.

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

MERIDIAN LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note D – Pension Plan (Continued)

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System’s asset allocation. The assumptions and the System’s formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System’s assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of 2020.

Capital Market Assumptions

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	30.00%	2.80%	0.55%
Broad US Equities	55.00%	8.55%	6.30%
Developed Foreign Equities	15.00%	8.70%	6.45%
Assumed Inflation - Mean		2.25%	2.25%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.85%	4.60%
Portfolio Standard Deviation		12.33%	12.33%
Portfolio Long-Term (Geometric) Expected Rate of Return		6.25%	3.89%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses		5.85%	3.49%
Portfolio Long-Term Real Rate of Return, Net of Investment Expenses			4.14%
Portfolio Standard Deviation			14.16%
Valuation Assumptions Chosen by PERSI Board			
Long-Term Expected Real Rate of Return, Net of Investment Expenses			4.05%
Assumed Inflation			3.00%
Long-Term Expected Nominal Rate of Return, Net of Investment Expenses			7.05%

**MERIDIAN LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Note D – Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

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 7.05%, 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 (6.05 percent) or 1-percentage-point higher (8.05 percent) than the current rate:

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
Employer's proportionate share of the net pension liability (asset)	\$ <u>2,957,728</u>	\$ <u>1,442,283</u>	\$ <u>189,258</u>

Pension plan fiduciary net position

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

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

Payables to the pension plan

At September 30, 2020, Meridian Library District reported payables to the defined benefit pension plan of \$9,332 for legally required employer contributions and no outstanding employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

**MERIDIAN LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS**

Note E – Fixed Assets

A summary of changes in general fixed assets follows:

	<u>September 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2020</u>
Capital assets not being depreciated:				
Land	\$ 906,966	\$ 0	\$ 0	\$ 906,966
Construction in progress	438,263	446,790		885,053
Artwork/collectibles	<u>25,500</u>	<u>0</u>	<u>0</u>	<u>25,500</u>
Total capital assets not being depreciated	1,370,729	446,790	0	1,817,519
Assets being depreciated:				
Buildings	2,844,734			2,844,734
Improvements	1,135,314	30,420		1,165,734
Equipment	<u>3,952,134</u>	<u>38,063</u>	<u>(488,247)</u>	<u>3,501,950</u>
	7,932,182	68,483	(488,247)	7,512,418
Accumulated depreciation	<u>(4,893,574)</u>	<u>(447,678)</u>	<u>336,906</u>	<u>(5,004,346)</u>
Net capital assets being depreciated	<u>3,038,608</u>	<u>(379,195)</u>	<u>(151,341)</u>	<u>2,508,072</u>
Net capital assets	<u>\$ 4,409,337</u>	<u>\$ 67,595</u>	<u>\$ (151,341)</u>	<u>\$ 4,325,591</u>

Note F – Compensated Absences

The following shows the activity in compensated absences at September 30, 2020.

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>
Compensated absences	\$ <u>183,987</u>	\$ <u>308,257</u>	\$ <u>(256,686)</u>	\$ <u>235,558</u>

MERIDIAN LIBRARY DISTRICT NOTES TO FINANCIAL STATEMENTS

Note G – Fund Balance

As of September 30, 2020, fund balances of the governmental funds are classified as follows:

Non-Spendable - includes balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. As of September 30, 2020, there was \$97,826 non-spendable fund balance.

Restricted For - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as grantors and creditors or amounts constrained due to constitutional provisions or enabling legislation. As of September 30, 2020, there was \$18,456 and \$1,321,278 restricted fund balance. Amounts were restricted for programs and capital projects, respectively.

Committed To – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year end. The Board of Trustees are the highest level of decision making authority for the District. Commitments may be established through resolutions approved by the Board of Trustees. As of September 30, 2020, there were no amounts committed for any purpose.

Assigned To – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the finance committee or executive director. As of September 30, 2020, there are amounts of \$4,429,077 assigned for Capital Repair and Replacement.

Unassigned – includes positive fund balance within the general fund which has not been classified within the above mentioned categories.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees or the finance committee has provided otherwise in its commitment or assignment actions.

MERIDIAN LIBRARY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note H – Operating Lease

The District leases buildings that house their locations throughout Meridian, Idaho and office equipment. Monthly payments due under the building leases are \$8,883 and increase 4% per year, expiring September 2022. Monthly payments due under the office equipment leases range from \$162 - \$1,241. The equipment leases expire at various dates through November 1, 2023.

In July 2020, the District entered into a lease agreement to house the new 15,000-square-foot library branch in the Orchard Park commercial development project in North Meridian. The lease is for 240 months, including two five year options, commencing after the District has satisfied certain requirements under the agreement some of which are outstanding as of September 30, 2020. The monthly base rent ranges from \$17,917 to \$20,741 per month.

The future lease payments as of September 30, 2020 are as follows:

2021	\$	112,817
2022		117,245
2023		<u>1,949</u>
	\$	<u>232,011</u>

Lease expense for the year ended September 30, 2020 was \$126,025.

Note I – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases liability insurance through Idaho Counties Risk Management Program.

There were no significant reductions in insurance coverage from the prior year, and there have been no settlements that exceed the District's insurance coverage.

REQUIRED SUPPLEMENTARY INFORMATION

MERIDIAN LIBRARY DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
For the Year Ended September 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 5,692,015	\$ 5,692,015	\$ 5,824,793	\$ 132,778
Sales taxes	192,000	192,000	274,265	82,265
Fines and fees	12,000	12,000	23,899	11,899
Copy and print services	15,000	10,000	9,253	(747)
Earnings on investments	133,000	108,000	88,157	(19,843)
Grants	43,080	83,000	102,644	19,644
Donations and sponsorships	16,000	19,500	22,192	2,692
Other	1,500	1,000	1,829	829
	<u>6,104,595</u>	<u>6,117,515</u>	<u>6,347,032</u>	<u>229,517</u>
Total Revenue				
Expenditures				
Salary and fringe benefits	3,933,894	3,744,500	3,557,325	(187,175)
Supplies, maintenance and operations	500,616	487,552	428,317	(59,235)
Collections and programs	743,590	732,889	679,773	(53,116)
Administrative	104,078	95,078	83,624	(11,454)
Professional services	68,100	68,100	39,493	(28,607)
Information technology	297,655	278,655	179,020	(99,635)
Library mobile services	23,550	23,550	6,843	(16,707)
Professional development	48,489	40,459	28,668	(11,791)
Other expenses	4,352	6,252	4,421	(1,831)
Capital outlay	999,300	840,480	429,961	(410,519)
	<u>6,723,624</u>	<u>6,317,515</u>	<u>5,437,445</u>	<u>(880,070)</u>
Total Expenditures				
Other Financing Sources				
Carryover	619,029	200,000		(200,000)
Transfer in			638	638
	<u>619,029</u>	<u>200,000</u>	<u>638</u>	<u>(199,362)</u>
Total Other Financing Sources				
Excess (Deficiency) of Revenue Over Expenditures	\$ <u>0</u>	\$ <u>0</u>	\$ <u>910,225</u>	\$ <u>910,225</u>

MERIDIAN LIBRARY DISTRICT
BUDGETARY COMPARISON SCHEDULE – CAPITAL PROJECTS FUND
For the Year Ended September 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	
Revenues				
Property taxes	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 0
Earnings on investments	<u>16,400</u>	<u>16,400</u>	<u>7,228</u>	<u>(9,172)</u>
Total Revenue	<u>1,416,400</u>	<u>1,416,400</u>	<u>1,407,228</u>	<u>(9,172)</u>
Expenditures				
Capital outlay	<u> </u>	<u> </u>	<u>85,312</u>	<u>(85,312)</u>
Other Financing Sources				
Transfer in (out)	<u> </u>	<u> </u>	<u>(638)</u>	<u>(638)</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>\$ 1,416,400</u>	<u>\$ 1,416,400</u>	<u>\$ 1,321,278</u>	<u>\$ (95,122)</u>

MERIDIAN LIBRARY DISTRICT
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND
EMPLOYER CONTRIBUTIONS
For the Year Ended Septmeber 30, 2020

Schedule of Employer's Share of Net Pension Liability

	PERSI - Base Plan					
	Last 10 - Fiscal Years *					
	2015	2016	2017	2018	2019	2020
Employer's portion of net the pension liability	0.0515553%	0.0581803%	0.061663%	0.063218%	0.064223%	0.062110%
Employer's proportionate share of the net pension liability	\$ 678,899	\$ 1,179,404	\$ 969,241	\$ 932,472	\$ 733,092	\$ 1,442,283
Employer's covered-employee payroll	\$ 1,438,254	\$ 1,684,570	\$ 1,926,394	\$ 2,058,088	\$ 2,209,503	\$ 2,275,706
Employer's proportionate share of net pension liability as a percentage of its covered-employee payroll	47.20%	70.01%	50.31%	45.31%	33.18%	63.38%
Plan fiduciary net position as a percentage of total pension liability	48.01%	87.26%	90.68%	91.69%	93.79%	88.22%

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

Data reported is measured as of June 30, 2020 (measurement date)

Schedule of Employer Contributions

	PERSI - Base Plan					
	Last 10 - Fiscal Years *					
	2015	2016	2017	2018	2019	2020
Statutorily required contribution	\$ 162,810	\$ 172,948	\$ 218,067	\$ 232,976	\$ 252,694	\$ 271,719
Contributions in relation to statutorily required contribution	\$ 162,810	\$ 192,621	\$ 218,067	\$ 232,976	\$ 252,694	\$ 271,719
Contribution (deficiency) excess	\$ -	\$ 19,673	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 1,438,254	\$ 1,684,570	\$ 1,926,394	\$ 2,058,088	\$ 2,209,503	\$ 2,275,706
Contributions as a percentage of covered-employee payroll	11.32%	11.43%	11.32%	11.32%	11.44%	11.94%

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

See accompanying notes to basic financial statements.

FEDERAL REPORTS

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 Trustees
Meridian Library District
Meridian, Idaho

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 Governmental Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Meridian Library District, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Meridian Library District's basic financial statements, and have issued our report thereon dated January 20, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Meridian Library District'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 Meridian Library District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 preceding paragraph 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. However, material weaknesses may exist that have not been identified.





Compliance and Other Matters

As part of obtaining reasonable assurance about whether Meridian Library District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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.

Harris CPAs

Meridian, Idaho
January 20, 2021

