

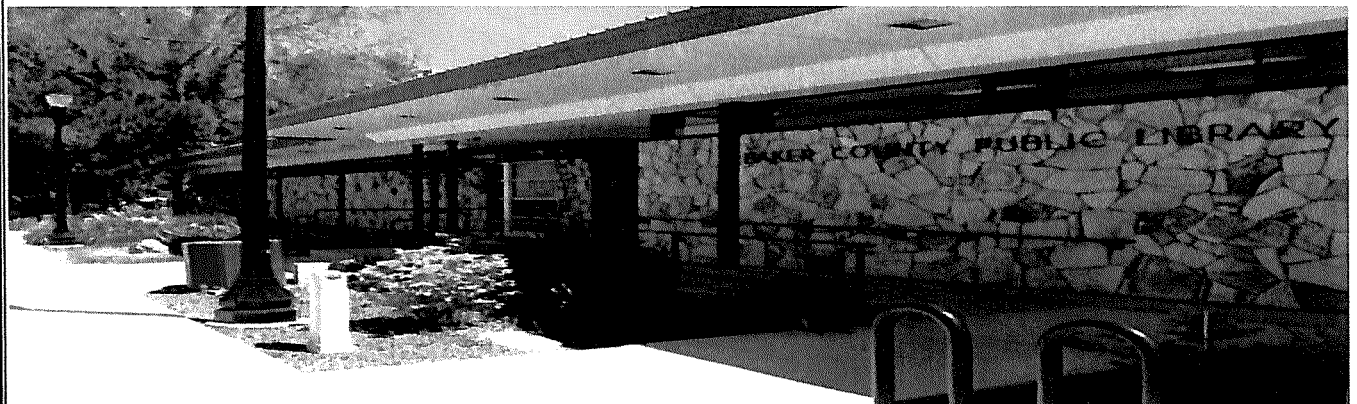
*BAKER COUNTY LIBRARY DISTRICT
BAKER CITY, OREGON*

*FINANCIAL STATEMENTS
As of and for the fiscal year ended
June 30, 2015*

Sumpter Branch Library



Huntington Branch Library

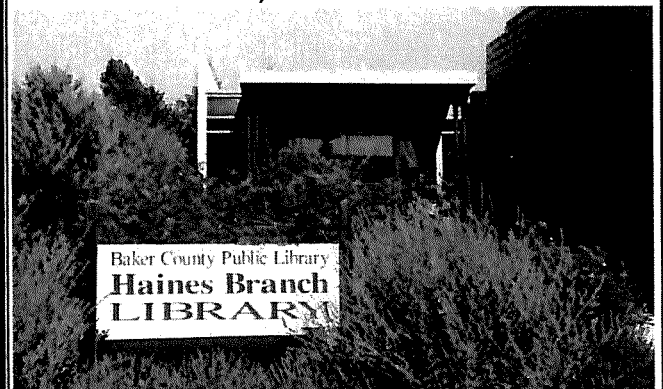


Main Branch and Administrative Offices in Baker City, Oregon. Photo donated by Scott Ungerecht

Halfway Branch Library



Haines Branch Library



BAKER COUNTY LIBRARY DISTRICT

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BAKER COUNTY LIBRARY DISTRICT

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BAKER COUNTY LIBRARY DISTRICT
BAKER CITY, OREGON
LIST OF ELECTED BOARD OF DIRECTORS
For Fiscal Year Ended June 30, 2015

Board of Directors:

| | | <u>Term Expiration:</u> |
|-----------|------------------------------------------|-------------------------|
| President | Gary Dielman Baker City, Oregon | June 30, 2019 |
| Director | Nellie Forrester Halfway, Oregon | June 30, 2019 |
| Director | Betty Palmer Baker City, Oregon | June 30, 2017 |
| Director | Della Steele North Powder, Oregon | June 30, 2017 |
| Director | Kyra Rohner-Ingram Baker City, Oregon | June 30, 2017 |

Budget Committee:

| | | |
|--------|----------------------------------------|-----------|
| Member | Aletha Bonebrake Baker City, Oregon | Appointed |
| Member | Linda Collier Halfway, Oregon | Appointed |
| Member | Tom Hudson Baker City, Oregon | Appointed |
| Member | Joy LeaMaster Baker City, Oregon | Appointed |
| Member | MaryAlys Urey Baker City, Oregon | Appointed |

District Administration:

| | | |
|-------------------------------------|------------------------------------|-----------|
| Library Director and Budget Officer | Perry Stokes Baker City, Oregon | Appointed |
|-------------------------------------|------------------------------------|-----------|

Registered Agent:

| | | |
|-------------------|---------------------------------------|-----------|
| District Attorney | Matt Shirtcliff Baker City, Oregon | Appointed |
|-------------------|---------------------------------------|-----------|

Guyer & Associates

Certified Public Accountants

Scott A. Martin
Megan R. Adams

Robert P. Seymour
Jacob J. Collier

Michael J. Rudi

Randell C. Guyer, Jr.
Kent J. Bailey

David F. Lindley
Linda L. Cyr

Kara J. Bond

December 16, 2015

Independent Auditor's Report

To the Board of Directors
Baker County Library District
2400 Resort Street
Baker City, Oregon

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Baker County Library District, Baker City, Oregon, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the 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.

Auditor's Responsibility

Our responsibility is to express an opinion 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. Those standards require 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 opinion.

Opinion

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 Baker County Library District, as of June 30, 2015, 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.

Emphasis of Matter

We have previously audited the District's June 30, 2014 financial statements, and we expressed an unqualified opinion in our report dated December 31, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived, except for the following: as discussed in Note 1 to the financial statements, the District has implemented GASB Statement No. 68. In the application of GASB 68, the prior year summarized totals in the Statement of Net Position have been restated to reflect the accrued pension liability and net deferred outflow of pension costs. However, information is not available to appropriately restate the Statement of Activities. Our opinion is not modified with respect to this matter.

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1005 Adams Avenue
La Grande, OR 97850
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis, 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 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.

The budgetary comparison schedules presented as Required Supplementary Information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in our opinion are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Supplementary Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Baker County Library District's financial statements. The other supplementary information listed in the table of contents is presented for purpose of additional analysis and is not a required part of the basic financial statements.


The other supplementary information as listed in the table of contents is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 16, 2015, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.


Guyer & Associates
Certified Public Accountants
A Professional Corporation

By 

Kent J. Bailey
Baker City, Oregon

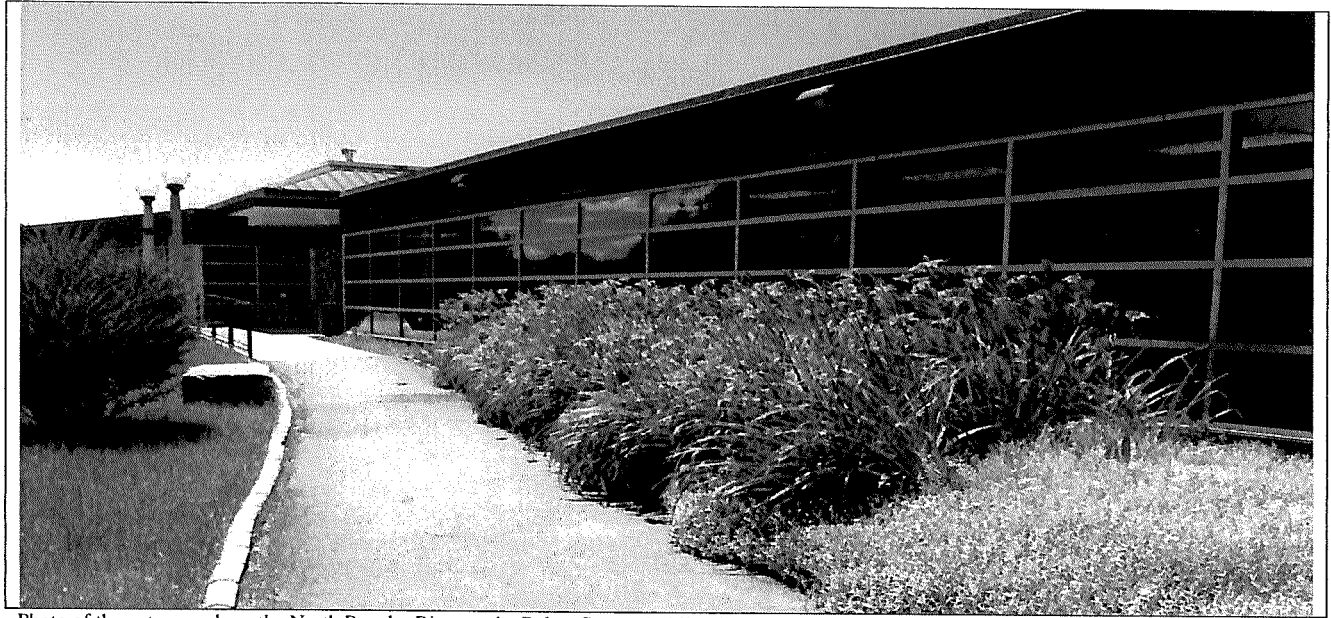


Photo of the entrance along the North Powder River to the Baker County Public Library. Photo donated by Scott Ungerecht

MANAGEMENT'S DISCUSSION AND ANALYSIS

Baker County Library District
MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Baker County Library District (Library District) offers readers of the Library District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. The Library District's financial statements and notes to the financial statements, which follow should be considered in reading the information presented.

Financial Highlights

Assets of the Baker County Library District exceeded its liabilities at the close of the most recent fiscal year by \$1,983,685 (*net position*). The Library District's total net position increased by \$134,722 over the prior fiscal year. The increase consisted of an increase in the year-end cash balance of \$58,187 and other adjustments primarily related to the implementation of GASB 68. Combined total assets increased \$147,990 with an increase in year-end cash, again, of \$58,187 and an increase in property taxes receivable of \$9,618 over the prior fiscal year. The largest increase was \$129,225 the District's portion of a pension asset related to the implementation of GASB 68, which is explained in more detail in the financial statement footnotes. The total capital assets decreased \$74,487, the net of depreciation expense of \$78,233 and asset purchases of \$3,746. Building & Improvements decreased \$66,812 due to depreciation expense. Furniture, fixtures and equipment decreased \$2,618 with depreciation exceeding additions. Vehicles decreased by \$5,057 due to depreciation expense. Prepaid expense increased by \$4,992 for the General Fund and a similar receivable from Sage Fund of \$19,454. Both of these items are related to electronic deposits for payroll which the General Fund transmits for both funds and Sage Fund reimburses its portion of the transaction and payroll expenses.

At the close of the current fiscal year, the Baker County Library District's governmental funds reported combined ending fund balance (*modified accrual*) of \$349,638. The Special Revenue – Other Uses Funds balance of \$158,577 represents funds that are restricted, committed and assigned either by outside parties or management. The General Fund balance of \$191,061 represents funds that are restricted of \$16,976 and unassigned of \$174,085 which is the amount that assets exceed liabilities. The combined ending fund balance at the end of the previous fiscal year was \$307,122.

The General Fund contains the only funds available for discretionary spending, with a current balance of \$174,085 in *unassigned fund balance*. This unassigned fund balance shows an increase of \$15,961 in the ending fund balance in the General Fund over the previous fiscal year, which was \$158,124 on the modified accrual basis. Combining assets in cash of \$237,515, property taxes receivable of \$87,192, prepaid expenses \$27,496, Sage fund receivable of \$19,454 for electronic payroll and taxes, and other current assets of \$4,759 with liabilities of \$185,355, the General Fund ending balance is \$191,061. This represents an increase in assets of \$84,383 and an increase in liabilities of \$51,446 over the last fiscal year. The increase in assets is due to multiple factors, cash increased by \$47,912, property taxes receivable increased by \$9,618, receivables increased \$22,161, and prepaid expenses increased \$4,992 for payroll. The overall change in liabilities was largely due to an increase in wages payable of \$14,885 representing both General and Sage funds. Other factors included an increase of property taxes receivable \$9,618, an increase in accounts payable \$714 and payroll taxes payable increased \$9,946.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Baker County Library District's basic financial statements. The Library District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. These statements are designed to provide readers with a broad overview of the Baker County Library District's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Baker County Library District'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 District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements report pension information for the first time on the full accrual basis with the implementation of a new Governmental Accounting Standards Board Statement No 68 (GASB 68) (Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No 27). The statements also include a restatement of the prior period net position. A complete explanation can be found in Note 11 on pages 26-29 of this report.

The government-wide financial statements report functions of the Baker County Library District that are principally supported by taxes and intergovernmental revenues and are considered *governmental activities*. These *governmental activities* reported as full accrual numbers (see pages 10-11) yielded a total of \$986,821 in revenues. Revenues from property taxes of \$929,744 represent 94% of total District revenues. The charges for services of \$15,974 (2% of revenues) are incidental cost-recovery for printing and faxing activities, sale of computer memory devices for in-house use, and fines for overdue materials. There are no charges for borrowing materials unless a person does not return them as agreed. Contributions, interest and miscellaneous revenues for the year totaled \$41,103 (4% of revenues).

The governmental activities of the Baker County Library District are the provision of print and media materials, and some educational programming activities, to the general public. The government-wide financial statements can be found on pages 10-11 of this report.

Baker County Library District
Management's Discussion and Analysis, Continued

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Baker County Library District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

The Baker County Library District maintains two individual governmental funds. Information is presented separately in the *governmental fund balance sheet* and in the *governmental fund statement of revenues, expenditures, and changes in fund balances* for each fund.

The Baker County Library District adopts an annual appropriated budget for each of its funds. A budgetary comparison statement for each fund has been provided to demonstrate compliance with the budget. This information can be found in the *required supplementary information* section.

The basic governmental fund financial statements can be found in the *Basic Financial Statement* section.

Agency funds are used to account for resources held by the District in a purely custodial capacity for another entity. On June 17, 2014, the Library District agreed to act as the fiscal agent for the Sage Library System at the request of the Sage User Council beginning on July 1, 2014. These funds are not available to support library operations. The Library District is the fiscal agent, administering the funds to operate activities for this council of regional libraries. (See reporting on page 16 and Note 1 on page 18.)

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found behind the fund financial statements in the *Basic Financial Statement* section.

Required supplementary information. This section contains a statement of revenues, expenditures and changes in fund balance for each of the governmental funds on the modified accrual basis. These statements compare the budget with actual expenditures.

Baker County Library District
 Management's Discussion and Analysis, Continued

Government-wide financial analysis. As noted earlier, *net position* may serve over time as a useful indicator of a government's financial position. In the case of the Baker County Library District, assets exceeded liabilities by \$1,983,685 at the close of the fiscal year (*full accrual method*).

The largest portion of the Baker County Library District's assets reflect its investment in capital assets (land, buildings, vehicles, and equipment). The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

A portion of the Baker County Library District's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unassigned net assets* may be used to meet the government's ongoing obligations to citizens and creditors. *Net position* shows a balance \$109,870 for unassigned net assets and \$158,577 for committed net assets.

Net Position

| | <u>Fiscal Year</u> <u>2013-2014</u> | <u>Fiscal Year</u> <u>2014-2015</u> |
|----------------------------------------------------|----------------------------------------|----------------------------------------|
| Current assets | \$ 441,055 | \$ 534,993 |
| Net pension asset | 0 | 129,225 |
| Capital assets | 1,789,725 | 1,715,238 |
| Deferred outflows, pensions | <u>47,143</u> | <u>46,457</u> |
| Total assets | <u>2,277,923</u> | <u>2,425,913</u> |
| Current liabilities | 114,756 | 166,721 |
| Net pension liability | 290,929 | - |
| Long-term liabilities | 23,275 | 21,646 |
| Deferred inflows, pensions | <u>-</u> | <u>253,861</u> |
| Total liabilities | <u>428,960</u> | <u>442,228</u> |
| Invested in capital assets, Net of related debt | 1,789,725 | 1,715,238 |
| Unassigned, reported in | | |
| General fund, unrestricted | 154,026 | 109,870 |
| Change in accounting principle | (243,786) | - |
| Committed to special uses | <u>148,998</u> | <u>158,577</u> |
| Total net position | <u>\$1,848,963</u> | <u>\$1,983,685</u> |

The District's current fiscal year net position increased by \$134,722 over the prior fiscal year. The increase was due to an increase in cash and fund balances, and adjustments for GASB 68 implementation. The change in net position is reported on page 11 of this report.

Governmental funds. Governmental funds combined fund balance increased by \$42,516. The fund balance of the General Fund increased by \$32,937 while the Other Uses Funds increased by \$9,579. The changes in fund balances are reported on page 14 of this report.

The modified accrual basis statements (Fund Financial Statements, pages 12 and 14) are reconciled with the full accrual statements (Government-wide Financial Statements, pages 10-11) on pages 13 and 15.

Baker County Library District
 Management's Discussion and Analysis, Continued

On the modified accrual method, the District has combined fund balance of \$191,061 with the unassigned portion of \$174,085 in the General Fund at fiscal year-end.

**Summary of Revenues, Expenditures and
 Changes in Fund Balance for General Fund**

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|----------------------------------------------------------------|------------------|------------------|----------------------------------------|
| Total Revenues | \$ 978,645 | \$964,017 | \$ (14,628) |
| Expenditures: | | | |
| Personal Services | 628,350 | 624,326 | 4,024 |
| Materials & Supplies | 298,065 | 296,254 | 1,811 |
| Debt Service | 2,000 | 2,000 | 0 |
| Capital Outlay | 100 | 0 | 100 |
| Contingency | <u>231,630</u> | <u>0</u> | <u>231,630</u> |
| Total Expenditures | <u>1,160,145</u> | <u>922,580</u> | <u>237,565</u> |
| Revenues Over (Under) Expenditures | (181,500) | 41,437 | 222,937 |
| Other Financing Sources (Uses) | <u>(8,500)</u> | <u>(8,500)</u> | <u>0</u> |
| Revenues Over (Under) Expenditures And Other Financing Uses | (190,000) | 32,937 | 222,937 |
| Fund Balances, Beginning | <u>190,000</u> | <u>158,124</u> | <u>(31,876)</u> |
| Fund Balances, Ending | <u>\$ 0</u> | <u>\$191,061</u> | <u>\$191,061</u> |

The *Other Uses Fund* comprises all other activities of the District. This "*Other Uses Fund*" includes the memorial department, technology department, capital projects department, the literacy coalition funds, and a provision for severance liability. The *Debt Service Fund*, which is held separate for repaying the bond from special tax levies, has been closed since the District currently does not have bonded debt.

Economic Factors and Next Year's Budget. The District has a five-year local option tax of 0.249 (that was renewed in May 2011, effective through June 30, 2017) in addition to its permanent rate of 0.5334. The District will lose a small percentage of collections on its permanent rate due to compression by overlapping taxing districts, which share proportionally in the loss of collections where the combined total of authority exceeds \$10 per \$1,000 Total Assessed Value (TAV). In the areas of the District that are already compressed with permanent tax rates, the local option tax may either be partially collectible or not at all.

The total budget for operations remained relatively flat in the upcoming fiscal year with the budget increasing for fiscal year 2015-2016 to \$1,249,527 as compared to fiscal year 2014-2015 of \$1,172,645 (including adopted changes). The local option levy voters approved was for operating funds to continue library services at the current service level. The contingency reserve goal of \$200,000 was realized in the prior year and has been preserved in the current budget. The contingency accumulation is intended to achieve the goal of greater fiscal stability and at the same time eliminate the need for borrowing operating funds in October until property tax revenues are received in early November.

In the Fiscal Year 2015-2016 budget, Personal Services increased at 13.1% over Fiscal Year 2014-2015 with effort given to maintain current personnel and public service levels. The District changed group health insurance carriers (effective June 2015) in an effort to ease the financial burden rising costs of

Baker County Library District
Management's Discussion and Analysis, Continued

health insurance has incurred over recent years. The District continued with the same insurance carrier, Special Districts Insurance Services, who initiated the change in providers. The District anticipates a slight increase of 2.9% this fiscal year for group health insurance. The District gave a modest 1% cost-of-living pay increases in an effort to maintain the budget level along with scheduled raises. The largest personal services cost increase will be for the retirement program. The retirement contributions are anticipated to increase in Fiscal Year 2015-2016, over Fiscal Year 2014-2015, by 28.6% mostly due personnel service levels and a scheduled increase in PERS rates effective July 1, 2015. The PERS Tier 1/Tier 2 and OPSRP General Service contribution rates continued at the same rate Fiscal Year 2014-2015 as the prior fiscal year, at 13.2% and 10.44%, respectively. PERS announced small increases in rates for Fiscal Year 2015-2016 of 15.64% and 10.69%, respectively. Materials & Services is budgeted to increase by 4.1% in the coming fiscal year.

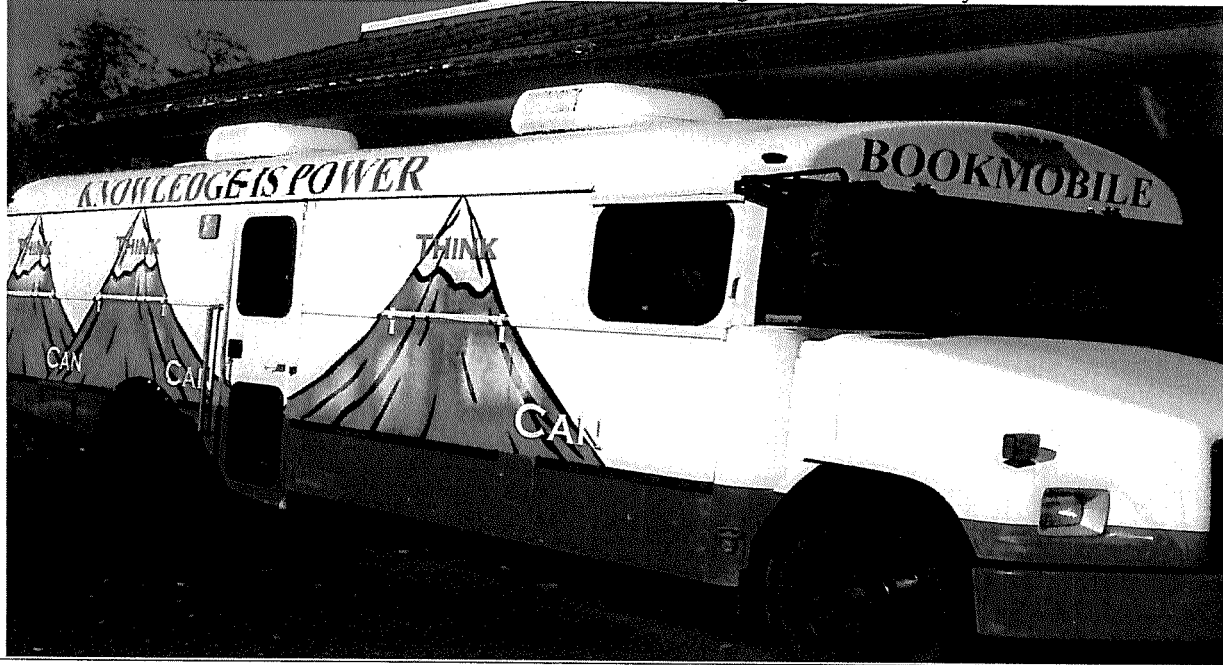
The current budget remained relatively flat in all categories over the prior Fiscal Year 2013-2014 with the total budget decreasing in Fiscal Year 2014-2015 slightly by 0.83%. Revenues decreased 1%. Personal Services increased slightly by 1.7%. Materials and Services decreased slightly 3.6% over last fiscal year. The book budget continued to hold at an average rate of 8% of the budget for the fourth consecutive fiscal year (the standard for the Library industry is 10-15%).

The Library District, after completing a District-wide weeding program, focused on expanding a couple genres as well as expanding "New Books" on display and rotating through branches. This entailed the huge task of shifting the collections allowing for the expansion of Large Print, Sci-Fi and Western titles to meet demand. Areas continuing to increase in demand are audio books, e-books and movie collections. The Library participates in the Sage Library System that exponentially expands the number of materials available to patrons. Inter-Library loans have also increased significantly as this program becomes more efficient and demand increases. The District's goal is to lend more books than it borrows through this program with the intent that the Library has sufficient titles to meet the needs of the majority of the patrons available on its shelves.

The District website offers access to the library collections for patrons, online subscription databases and added features including local weather and website links for areas of local interest. Branch hours continue at the same level. Free wireless Internet access, public computer workstations and other current digital tools are made available at each branch. All but one of the District's branches has a meeting room available for public use. The main branch is home to a large historical photo collection available both in-house and on-line. In addition to books, magazines and media, the District also offers equipment for checkout, including: digital projector, overhead projector and screens, telescopes, GPS units, Kill-A-Watt meters, museum passes, MP3 players and more. The District strives to offer tangible community services and materials to encourage lifelong education and reading and enhance quality of life in every Baker County community.

Requests for Information. This financial report is designed to provide a general overview of the Baker County Library District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Library Director, Baker County Library District, 2400 Resort Street, Baker City, Oregon 97814.

Bookmobile placed in service 2002 – Mobile Library Branch Serving All of Baker County



BASIC FINANCIAL STATEMENTS

BAKER COUNTY LIBRARY DISTRICT
STATEMENT OF NET POSITION
June 30, 2015

| | Total Governmental Activities | |
|------------------------------------------------------|-------------------------------|--------------|
| ASSETS | 6/30/2015 | 6/30/2014 |
| Current Assets: | | |
| Cash and investments | \$ 395,992 | \$ 337,805 |
| Property taxes receivable | 87,192 | 77,574 |
| Accounts receivable | 4,359 | 2,372 |
| Receivable from Sage Fund | 19,454 | 0 |
| Payroll advances | 500 | 800 |
| Prepaid expenses | 27,496 | 22,504 |
| Total current assets | 534,993 | 441,055 |
| Net pension asset | 129,225 | 0 |
| Capital Assets (net of accumulated depreciation): | | |
| Land | 42,800 | 42,800 |
| Buildings and improvements | 1,621,114 | 1,687,926 |
| Furniture, fixtures and equipment | 24,940 | 27,558 |
| Vehicles | 26,384 | 31,441 |
| Total capital assets | 1,715,238 | 1,789,725 |
| Deferred Outflows of Resources Related to Pensions * | 46,457 | 47,143 |
| Total assets | 2,425,913 | 2,277,923 |
| | | |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts payable | 13,571 | 12,881 |
| Wages and payroll taxes payable | 67,616 | 43,478 |
| Compensated absences payable | 67,333 | 57,172 |
| Due to Sage Fund | 16,976 | 0 |
| Note payable - current | 1,225 | 1,225 |
| Total current liabilities | 166,721 | 114,756 |
| Net pension liability * | 0 | 290,929 |
| Note payable - noncurrent | 21,646 | 23,275 |
| Deferred Inflows of Resources Related to Pensions | 253,861 | 0 |
| Total liabilities | 442,228 | 428,960 |
| | | |
| NET POSITION | | |
| Invested in capital assets, net of related debt | 1,715,238 | 1,789,725 |
| Unrestricted: | | |
| Committed for special uses | 158,577 | 148,998 |
| Unrestricted * | 109,870 | (89,760) |
| Total net position | \$ 1,983,685 | \$ 1,848,963 |

* As restated for 6/30/2014 for GASB 68

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

BAKER COUNTY LIBRARY DISTRICT
BAKER CITY, OREGON
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

| | Expenses | Program Revenues | | | Net (Expense) | Net (Expense) |
|------------------------------------------|-------------------|----------------------|----------------------------------------------------|----------------------------------|-----------------------------------|-----------------------------------|
| | | Charges for Services | Operating Grants, Reimbursements and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Assets | Revenue and Changes in Net Assets |
| | | | | | | |
| Governmental Activities: | | | | | 6/30/2015 | 6/30/2014 |
| Library Services | \$ 851,728 | \$ 15,974 | \$ 9,320 | \$ - | \$ (826,434) | \$ (996,440) |
| Interest Expense | 371 | - | - | - | (371) | - |
| Total Governmental Activities | <u>\$ 852,099</u> | <u>\$ 15,974</u> | <u>\$ 9,320</u> | <u>\$ -</u> | <u>(826,805)</u> | <u>(996,440)</u> |
| General revenues: | | | | | | |
| Property taxes | | | | | 929,744 | 889,390 |
| State Resource Sharing | | | | | 7,045 | 6,564 |
| Interest | | | | | 9,739 | 10,382 |
| Miscellaneous | | | | | 14,999 | 11,598 |
| Total general revenues | | | | | <u>961,527</u> | <u>917,934</u> |
| Change in net assets | | | | | 134,722 | (78,506) |
| Net position - beginning | | | | | 1,848,963 | 2,171,255 |
| Cumulative effect of GASB 68 restatement | | | | | - | (243,786) |
| Net position - ending | | | | | <u>\$ 1,983,685</u> | <u>\$ 1,848,963</u> |

The accompanying notes are an integral part of this financial statement.

BAKER COUNTY LIBRARY DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015
with Comparative Totals for June 30, 2014

| | | Special Funds - Other Uses Fund | Total Governmental Funds | Prior Year Total Governmental Funds | Increase (Decrease) Current year over prior year |
|------------------------------------------------------------|-------------------|---------------------------------------|--------------------------------|----------------------------------------------|-----------------------------------------------------------|
| <u>General Fund</u> | | | | | |
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 237,515 | \$ 158,477 | \$ 395,992 | \$ 337,805 | 58,187 |
| Property Taxes Receivable | 87,192 | 0 | 87,192 | 77,574 | 9,618 |
| Accounts Receivable | 4,259 | 100 | 4,359 | 2,372 | 1,987 |
| Sage Fund Receivable | 19,454 | 0 | 19,454 | 0 | 19,454 |
| Payroll Advances | 500 | 0 | 500 | 800 | (300) |
| Prepaid Payroll | 27,496 | 0 | 27,496 | 22,504 | 4,992 |
| Total Assets | <u>\$ 376,416</u> | <u>\$ 158,577</u> | <u>\$ 534,993</u> | <u>\$ 441,055</u> | <u>\$ 93,938</u> |
| LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE | | | | | |
| Liabilities and Deferred Inflows: | | | | | |
| Accounts Payable | \$ 13,571 | \$ 0 | \$ 13,571 | \$ 12,881 | \$ 690 |
| Wages Payable | 51,169 | 0 | 51,169 | 36,284 | 14,885 |
| Payroll Taxes and Benefits Payable | 16,447 | 0 | 16,447 | 6,501 | 9,946 |
| Prepaid Reimbursement | 0 | 0 | 0 | 693 | (693) |
| Sage Fund account payable | 16,976 | 0 | 16,976 | 0 | 16,976 |
| Deferred Inflows | 87,192 | 0 | 87,192 | 77,574 | 9,618 |
| Total Liabilities and Deferred Inflows | <u>185,355</u> | <u>0</u> | <u>185,355</u> | <u>133,933</u> | <u>51,422</u> |
| Fund Balance: | | | | | |
| Special Revenue - Other Uses Funds: | | | | | |
| Restricted Fund Balance | 16,976 | 27,850 | 44,826 | 25,680 | 19,146 |
| Committed Fund Balance | 0 | 58,329 | 58,329 | 48,629 | 9,700 |
| Assigned Fund Balance | 0 | 72,398 | 72,398 | 74,689 | (2,291) |
| General Fund - Unassigned Fund Balance | 174,085 | 0 | 174,085 | 158,124 | 15,961 |
| Total Fund Balance | <u>191,061</u> | <u>158,577</u> | <u>349,638</u> | <u>307,122</u> | <u>42,516</u> |
| Total Liabilities, Deferred Inflows, and Fund Balance | <u>\$ 376,416</u> | <u>\$ 158,577</u> | <u>\$ 534,993</u> | <u>\$ 441,055</u> | <u>\$ 93,938</u> |

The notes to the financial statements are an integral part of this statement.

BAKER COUNTY LIBRARY DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION

June 30, 2015

| | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|----|-------------------------|
| TOTAL FUND BALANCES | | \$ | 349,638 |
| Capital assets are not financial resources and therefore are not reported in the governmental funds: | | | |
| Cost | | \$ | 3,036,090 |
| Accumulated depreciation | | | <u>(1,320,852)</u> |
| | | | 1,715,238 |
| A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current years' operations, and therefore are not reported as revenue in the governmental funds. | | | |
| | | | 87,192 |
| All compensated absence liabilities are reported in the Statement of Net Assets. However, if they are not due and payable in the current period, they are not recorded in governmental funds. | | | |
| | | | (67,333) |
| Long-term debt is reported in the Statement of Net Assets, however is not reported in governmental funds. | | | |
| | | | (22,871) |
| Certain assets are not current financial resources in the governmental funds, but are reported in the Statement of Net Position: | | | |
| Net pension asset | | | 129,225 |
| Deferred outflows of resources related to pensions | | | <u>46,457</u> |
| | | | 175,682 |
| All pension related liabilities are reported in the Statement of Net Position, however if they are not due and payable in the current period, they are not recorded in the governmental funds: | | | |
| Deferred inflows of resources related to pensions | | | <u>(253,861)</u> |
| TOTAL NET POSITION | | \$ | <u><u>1,983,685</u></u> |

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

BAKER COUNTY LIBRARY DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR FISCAL YEAR ENDED JUNE 30, 2015
with Comparative Totals for June 30, 2014

| | General Fund | Special Funds - Other Uses Fund | Total Governmental Funds | Prior Year Total Governmental Funds | Increase (Decrease) Current year over prior year |
|------------------------------------------------|-------------------|---------------------------------------|--------------------------------|----------------------------------------------|-----------------------------------------------------------|
| REVENUES | | | | | |
| Property Taxes | \$ 920,126 | \$ 0 | \$ 920,126 | \$ 895,509 | \$ 24,617 |
| Intergovernmental | 7,045 | 0 | 7,045 | 6,564 | 481 |
| Fines and Forfeitures | 15,974 | 0 | 15,974 | 17,888 | (1,914) |
| Grants | 0 | 8,000 | 8,000 | 0 | 8,000 |
| Contributions | 100 | 1,220 | 1,320 | 744 | 576 |
| Other Revenues | 11,721 | 3,278 | 14,999 | 11,598 | 3,401 |
| Interest | 9,051 | 688 | 9,739 | 10,382 | (643) |
| Total Revenue | <u>964,017</u> | <u>13,186</u> | <u>977,203</u> | <u>942,685</u> | <u>34,518</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Library Services | 920,580 | 12,107 | 932,687 | 971,267 | (38,580) |
| Debt Service: | | | | | |
| Principal | 1,629 | 0 | 1,629 | 0 | 1,629 |
| Interest | 371 | 0 | 371 | 0 | 371 |
| Total Expenditures: | <u>922,580</u> | <u>12,107</u> | <u>934,687</u> | <u>971,267</u> | <u>(36,580)</u> |
| Excess (Deficit) of Revenues Over Expenditures | <u>41,437</u> | <u>1,079</u> | <u>42,516</u> | <u>(28,582)</u> | <u>71,098</u> |
| Other Financing Sources (Uses): | | | | | |
| Transfers In | 4,000 | 12,500 | 16,500 | 27,527 | (11,027) |
| Transfers Out | (12,500) | (4,000) | (16,500) | (27,527) | 11,027 |
| Proceeds from Capital Financing | 0 | 0 | 0 | 24,500 | (24,500) |
| Total Other Financing Sources (Uses) | <u>(8,500)</u> | <u>8,500</u> | <u>0</u> | <u>24,500</u> | <u>(24,500)</u> |
| Net Change in Fund Balance | 32,937 | 9,579 | 42,516 | (4,082) | 46,598 |
| Fund Balance, Beginning | <u>158,124</u> | <u>148,998</u> | <u>307,122</u> | <u>311,204</u> | <u>(4,082)</u> |
| Fund Balance, Ending | <u>\$ 191,061</u> | <u>\$ 158,577</u> | <u>\$ 349,638</u> | <u>\$ 307,122</u> | <u>\$ 42,516</u> |

The notes to the financial statements are an integral part of this statement.

BAKER COUNTY LIBRARY DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

| | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-----------------|-----------------------|
| NET CHANGE IN FUND BALANCE | | \$ | 42,516 |
| <p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p> | | | |
| Expenditures for capital assets, net of disposition | \$ | 3,746 | |
| Less net current year depreciation | | <u>(78,233)</u> | (74,487) |
| <p>Property taxes in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | | |
| | | | 9,618 |
| <p>Compensated absences are expensed at the time such absences are paid for in the fund financial statements. In the Statement of Activities, they are reflected in expenditures at the time the liability is incurred. The change in compensated absences liability for the year is:</p> | | | |
| | | | (10,161) |
| <p>Repayments of long-term debt use current financial resources are reported as expenditures in the funds. However the payment of debt principal does not affect the Statement of Activities, rather it is reported as a decrease in noncurrent liabilities in the Statement of Net Position.</p> | | | |
| | | | 1,629 |
| <p>Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension income (expense).</p> | | | |
| | | | <u>165,607</u> |
| CHANGE IN NET POSITION | | \$ | <u><u>134,722</u></u> |

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

BAKER COUNTY LIBRARY DISTRICT
 AGENCY FUND - SAGE FUND
 Statement of Changes in Assets and Liabilities
 For Fiscal Year Ended June 30, 2015

| | Balance July 1, 2014 | Additions | Deletions | Balance July 1, 2015 |
|----------------------------------------|-------------------------|------------|------------|-------------------------|
| SAGE LIBRARY SYSTEM - SAGE FUND | | | | |
| ASSETS | | | | |
| Cash and investments | \$ 95,000 | \$ 270,403 | \$ 255,846 | \$ 109,557 |
| Receivable due from grant | 0 | 37,740 | 0 | 37,740 |
| Receivable due from General Fund | 0 | 16,975 | 0 | 16,975 |
| Prepaid payroll | 0 | 5,948 | 0 | 5,948 |
| Total assets | \$ 95,000 | \$ 331,066 | \$ 255,846 | \$ 170,220 |
| LIABILITIES | | | | |
| Accounts payable | \$ 0 | \$ 15,344 | \$ 0 | \$ 15,344 |
| Due to General Fund | 0 | 19,454 | 0 | 19,454 |
| Due to Sage User Council | 95,000 | 40,422 | 0 | 135,422 |
| Total liabilities | \$ 95,000 | \$ 75,220 | \$ 0 | \$ 170,220 |

The notes to the financial statements are an integral part of this statement.

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Financial Reporting Entity

The Baker County Library District (Library District) is an Oregon Municipal Corporation incorporated in July 1986. Effective July 1, 1988, the District became a separate reporting entity when the voters of Baker County approved a levy to establish a County Library District Tax Base. The Library District is governed by a separately elected five member Board of Directors (Board) who approves the administrative officials. The daily functioning of the Library District is under the supervision of the Library Director. As required by generally accepted accounting principles, all activities of the Library District have been included in the basic financial statements.

Previously, the library had been operated by Baker County and, accordingly, its financial operations had been included with those of Baker County, Oregon.

Basis of Presentation

Government-wide Financial Statements:

The Statement of Net Position and the Statement of Activities display information about the Library District. These statements include the governmental financial activities of the overall District. Eliminations have been made to remove the double counting of internal activities. Governmental activities are financed primarily through property taxes, intergovernmental revenues, and charges for services.

The Statement of Activities presents a comparison between direct expenses and a given function or segment of program revenues. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to that function. Eliminations have been made to minimize the double counting of internal activities in the Statement of Activities. Program revenues include: (1) charges for services that include fines for overdue books, magazines, audio and video materials, copy and printing fees, and other fees, (2) operating grants or contributions that are restricted to a particular function or segment and (3) capital grants or contributions that are restricted to a particular function or segment. Revenues that are not classified as program revenues, including property taxes and state support, are presented as general revenues.

Separate financial statements are provided for governmental funds and an agency fund. Major individual governmental funds are reported as separate columns in the fund financial statements.

Net position is reported as restricted when constraints placed on net asset use are either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling legislation.

Fund Financial Statements:

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. For the fiscal year the Library District has two major governmental funds:

The *General Fund* is the District's primary operating fund and accounts for all revenues and expenditures except those required to be accounted for in another fund.

The special revenue fund titled *Other Uses Funds* accounts for revenue derived from donations and grants, which typically are restricted to finance particular functions or activities. There are five departments in this fund to account for this type of revenue including Memorial Department, Literacy Department, Technology Department, Capital Projects Department and Severance Liability Department.

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2015

Agency Fund Statements:

The agency fund statements provide information for a fund that was adopted last fiscal year 2014-2015. As of June 17, 2014, Baker County Library District agreed to act as the fiscal agent for the Sage Library System as requested by the Sage User Council. The Sage Library System is a regional consortium of libraries that voluntarily participate in an organized program using shared software and agree to share resources amongst member libraries. The system exponentially expands the resources available to all member library patrons. The Sage User Council administrates this regional program, sets its own operating policies and is self-funding. As a fund of the Library District, it adheres to the general policies of the Library District.

Measurement Focus and Basis of Accounting

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 at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred and there are both restricted and unrestricted assets available to finance the program, it is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Except for immaterial amounts, the District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

Cash, Cash Equivalents and Investments

The Library District's cash and cash equivalents consist entirely of demand deposits and the State of Oregon Treasurer's Local Government Investment Pool (LGIP). The LGIP is stated at cost, which approximates fair value. Fair value of the LGIP is the same as the District's value in the pool shares.

The Oregon State Treasury administers the LGIP. The Local Government Investment Pool (LGIP) is included in the Oregon Short Term Fund (OSTF), which was established by the State Treasurer. OSTF is subject to requirements established in Oregon Revised Statutes, investment policies adopted by the Oregon Investment Council, and portfolio guidelines established by the Oregon Short Term Fund Board. The Governor appoints the members of the Oregon Investment Council and the Oregon Short Term Fund Board.

Property Taxes Receivable

Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15, and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding after May 15 are considered delinquent.

Uncollected property taxes are recorded on the statement of net position. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. All property taxes receivable are due from property owners within the District.

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2015

Accounts Receivable

Accounts receivable are primarily comprised of program expense reimbursements due from a sponsor.

Capital Assets

Capital assets are recorded at original or estimated original cost. The Library District defines capital assets as assets with an initial cost of more than \$1,000 and an estimated life in excess of two years. Donated capital assets are recorded at their estimated fair market value on the date donated. Capital assets are depreciated using the straight-line method over the following useful lives:

| | |
|-----------------------------------|----------------|
| Buildings and Improvements | 15 to 40 years |
| Furniture, Fixtures and Equipment | 10 years |
| Computers and Related Equipment | 5 years |
| Vehicles | 5 to 10 years |

Assets that are not capitalized include: Maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The Library Collection is comprised of items that are individually below the District's capitalization policy. Historic photographs are classified as historic treasures and are not capitalized under guidelines from the Governmental Accounting Standards Board.

Compensated Absences

Most full-time employees have available ten to fifteen days of vacation leave and twelve days of sick leave, annually; either vacation or sick leave may be used as bereavement leave. Unused vacation leave is accumulated with a maximum accumulation of 250 hours; vacation leave vests after one year. Unused sick leave is also accumulated and is available in future years, if extended illness should occur; one-half of accumulated sick leave vests after five years and is payable to the employee upon termination or retirement. For Tier One and Tier Two employees only (those hired prior to January 1, 2004), at retirement, one-half of unused sick leave is added to the total days worked for the purpose of calculating appropriate pension benefits. Compensated absences are charged to expense in the fund financial statements when the benefit is paid. The current value of accrued vacation time and sick leave vested at fiscal year-end is accrued into the government-wide financial statements.

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 Oregon Public Employees Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. 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. (See Note 11 for complete pension reporting.)

Long-Term Obligations

A long-term note payable was approved by the Board of Directors in May 2014 with the first payment due in fiscal year 2014-15 (see details in Note 9). The note was for street improvements adjacent to library property. The long-term debt is reported as a liability in the government-wide financial statement of net position.

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2015

Fund Equity

In compliance with GASB Statement No 54, equity is classified as *Net Position* and displayed in the following categories on the government-wide financial statements:

- *Invested in capital assets, net of related debt* – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, or improvements of those assets.
- *Committed for special uses*- consists of three types of fund balances on Governmental Funds statement:
 - *Restricted fund balance* – consists of amounts that are generally restricted by outside parties for a specific purpose (including donor and grant requirements).
 - *Committed fund balance* – consists of funds formally set aside by the Board of Directors for a particular purpose. This occurs by adoption of a resolution.
 - *Assigned fund balance* - represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an authorized official.
- *Unrestricted net position* – consists of one type of fund balance on Governmental Funds statement:
 - *Unassigned fund balance* – amounts that are available for any purpose and typically the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance
- *Non-spendable* – includes amounts that are in non-spendable form (including inventory or prepaids) or funds that are required to be retained in perpetuity (including permanent endowments). The Library District had no non-spendable funds at fiscal year-end.

Order of Expenditures

When both restricted and unrestricted assets are available, restricted resources would generally be considered to be used first and then the unrestricted resources as they are needed. When unrestricted fund balances resources are expended they would be considered to be expended in order from the committed, assigned if applicable, and unassigned reporting categories.

Use of Estimates

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

Budgetary Information

A budget is prepared and legally adopted for each governmental fund on the accrual basis of accounting using program categories required by Oregon State Budget Law.

The Library District begins its budgeting process by appointing budget committee members each year. Recommendations are developed through early spring with the Board approving the budget in late spring. Public notices of the budget hearing are published generally in early June with the public hearing being held in late June. The final budget is adopted, appropriations made, and the tax levy declared no later than June 30.

Consistent with Oregon law, expenditures are appropriated for each legally adopted annual operating budget at the following levels of control: Personal Services, Materials and Services, Capital Outlay, Transfers, Debt Service, and Contingency.

Expenditure budgets are appropriated at the major program level for each fund. The detail budget document, however, is required to contain more specific, detailed information for the aforementioned expenditure categories. Expenditure appropriations may not be legally over-expended except in limited circumstances including the case of dedicated grant receipts, which could not be reasonably estimated at the time the budget was adopted.

BAKER COUNTY LIBRARY DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 For Fiscal Year Ended June 30, 2015

Budgetary Information, Continued:

Supplemental budgets less than 10% of a fund's original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels) with Board approval. Appropriations lapse at the end of each fiscal year. The budget may also be modified for unanticipated grants or gifts restricted for special purposes by Board resolution. The Board of Directors approved several transfers of budgetary appropriations during the fiscal year.

Recently Adopted Accounting Standards – GASB 68

The District has implemented Governmental Accounting Standards Board Statement No 68, *Accounting and Financial Reporting for Pensions* (GASB 68). GASB 68 establishes new accounting and financial reporting requirements for governmental entities that provide their employees with pensions. This statement requires the employer's statement of net position now include the employer's proportionate share of the retirement system's overall unfunded liability (net pension liability). The statement also requires the employer's pension expense be reported as the change in the proportionate share of the net pension liability. See Note 11 for additional information on the implementation of this statement.

Prior Period Adjustment to Statement of Net Position

Net position for the fiscal year ended June 30, 2014 has been restated as follows for the implementation of GASB 68:

| | |
|---------------------------------------------------|--------------------|
| Net Position as previously reported June 30, 2014 | \$2,092,749 |
| Prior period adjustment, net pension liability | (290,929) |
| Deferred outflows, contributions | <u>47,143</u> |
| Net Position as restated, July 1, 2014 | <u>\$1,848,963</u> |

2. CASH AND INVESTMENTS

The Library District maintains two bank demand deposit accounts at US Bank. The District also invests in the Oregon Local Government Investment Pool.

At the fiscal year-end, *Governmental Funds* cash and investments are comprised of the following:

| | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Cash in Bank Demand Deposit US Bank - General Checking | \$ 24,855 |
| Cash in Bank Demand Deposit US Bank - Other Uses Funds | 1,591 |
| Demand Deposits in Local Government Investment Pool-General Fund | 212,660 |
| Demand Deposits in Local Government Investment Pool-Other Uses (Total of 2 LGIP accounts, cost approximates market, interest approximately 0.54% at June 30) | <u>156,886</u> |
| Total Cash and Investments | <u>\$395,992</u> |

At the fiscal year-end, *Agency Fund* cash is comprised of the following:

| | |
|-------------------------------------------------|------------------|
| Cash in Bank Demand Deposit US Bank – Sage Fund | <u>\$109,557</u> |
|-------------------------------------------------|------------------|

The Local Government Investment Pool (LGIP) is included in the Oregon Short Term Fund (OSTF), which was established by the State Treasurer. OSTF is not subject to SEC regulation. OSTF is subject to requirements established in Oregon Revised Statutes, investment policies adopted by the Oregon Investment Council, and portfolio guidelines established by the Oregon Short Term Fund Board. The investment activity of the District for the fiscal year was limited to the LGIP and such investments are not required to be categorized according to the level of custodial credit risk.

Chapter 295 requires municipalities to hold deposits only with banks listed as Qualified Depositories for Public Funds by the Office of the Treasurer of the State of Oregon when they exceed the federal depository insurance limit. The District currently maintains deposits at US Bank, which is a bank included in the list of Qualified Depositories for Public Funds. Deposits at US Bank did not exceed FDIC coverage during the fiscal year. The District has no formal investment policy but does follow the requirements of Chapter 295 of the Oregon Revised Statutes for managing custodial funds.

BAKER COUNTY LIBRARY DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 For Fiscal Year Ended June 30, 2015

3. RECEIVABLES

Receivables as of the year-end for the District's governmental funds are comprised of the following:

| | |
|---------------------------------------------------|------------------|
| Property Taxes Receivable | \$87,192 |
| USAC E-Rate program, reimbursement due | 2,864 |
| Baker County Treasurer, tax turnover | 1,395 |
| Artist contract default, supply refund due | 100 |
| Sage Fund, receivable for prepaid payroll | 5,948 |
| Sage Fund, receivable for payroll taxes & related | 13,506 |
| Total | <u>\$111,005</u> |

The amount due from USAC E-Rate Program represents reimbursements requested for second quarter 2015 to complete the funding for the fiscal year. This Federal program subsidizes telephone and Internet costs for rural schools and libraries to expand the use of technology in rural areas. The amount due from the Baker County Treasurer represents one out of the batch of tax turnovers that are historically deposited at the end of June; one deposit was inadvertently sent to the wrong District. The mistake was corrected and the funds deposited on July 13, 2015. The Artist Contract Default represents funds advanced for materials for a sculpture contract. The project was incomplete at the deadline date at which time the Directors denied the extension request. The artist is on a payment plan to refund the advance; the final payment was made in July 2015. Finally, the amounts due from Sage Fund are to reimburse General Fund for electronic payroll and related payroll tax payments, for which General Fund pays on its behalf.

4. PREPAID EXPENSES

Prepaid Expenses on the Governmental Funds Balance Sheet of \$27,496 represents the amount due for electronic paychecks payable to library staff on July 1, the next business day. The Sage Fund also reports a prepaid expense of \$5,948 on the Agency Fund statement for paychecks payable on July 1 for Sage Library System staff. The combined prepaid expense reported in these two funds is \$33,444. The District subscribes to Quick Books Payroll Services for payroll processing and the use of direct deposit services for monthly electronic paycheck deposits for employees. The Sage Fund processes its own payroll but is obligated to reimburse the General Fund for the payment of its payroll due to constraints inherent in the payroll service. Currently, 85% of employees have elected to use this optional service.

5. CAPITAL ASSETS

Capital asset activity for the fiscal year was as follows:

| | Balance, Beginning of fiscal year | Increases | Decreases | Balance, End of fiscal year |
|---------------------------------------------|-----------------------------------------|-------------|-----------|-----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 42,800 | \$ | \$ | \$ 42,800 |
| Total capital assets not being depreciated | 42,800 | | | 42,800 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 2,605,015 | | | 2,605,015 |
| Furniture, fixtures and equipment | 290,192 | 3,746 | (2,795) | 291,143 |
| Vehicles | 97,132 | 0 | 0 | 97,132 |
| Total capital assets being depreciated | 2,992,339 | 3,746 | (2,795) | 2,993,290 |
| Total capital assets before depreciation | 3,035,139 | | | 3,036,090 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (917,089) | (66,812) | | (983,901) |
| Furniture, fixtures and equipment | (262,634) | (6,364) | 2,795 | (266,203) |
| Vehicles | (65,691) | (5,057) | 0 | (70,748) |
| Total accumulated depreciation | (1,245,414) | (78,233) | 2,795 | (1,320,852) |
| Total capital assets being depreciated, net | 1,746,925 | (74,487) | 0 | 1,672,438 |
| Total capital assets, net | \$ 1,789,725 | \$ (74,487) | \$ 0 | \$ 1,715,238 |

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2015

Capital Assets, Continued:

The land and building on 2400 Resort Street, which houses the Baker County Public Library that was previously owned by the City of Baker City, Oregon. Baker City deeded the building to the Library District on July 27, 1990. The donated land and building were valued at \$270,000, the estimated market value at the time of transfer. This library also serves as the administrative offices for the Library District.

The land and building in Halfway which houses the Halfway Branch Library was purchased on March 18, 2003 for \$50,000. The building was the historic Halfway Masonic Lodge. The District remodeled the building during the fiscal year ended June 30, 2004.

The land and building in Haines which houses the Haines Branch Library was previously owned by the City of Haines, Oregon. The City of Haines deeded the historic City Hall building to the Library District on October 1, 2003. The donated land and building were valued at \$45,000, the estimated market value at the time of transfer. The District entered into a Memorandum of Understanding with the City of Haines on the same date, which requires the District to use the property as a library. The District assumed responsibility for all costs associated with the property. If at any time the District discontinues use of the building for library purposes, then the property will be deeded back to the City of Haines.

The City of Huntington deeded two City lots to the Library District on June 20, 2005. The donated land was valued at \$5,300, the estimated market value at the time of transfer. The District entered into a Donation Agreement with the City of Huntington on the same date, which requires the District to use the property for a library site. The District assumed responsibility for all costs associated with the property. If at any time the District discontinues use of the property for library purposes, then the property will be deeded back to the City of Huntington. During fiscal year ended June 30, 2005, the District placed a new modular building on the lots to serve as the Huntington Branch Library.

The District operates a branch library in Richland in the Richland School Senior Housing (operated by Northeast Oregon Housing Authority). The housing authority donates the space for the library to operate the Richland Branch Library for the benefit of the community as well as the housing residents. The District pays a proportionate share of the related utilities for the use of the space.

The District operates a branch library in Sumpter in the museum building. The District shares the cost of the related utilities with the City of Sumpter based on an allocation of space occupied by the library. The space is donated for library use for the Sumpter Branch Library.

The District has historic photos, microfilm, several works of art and historical treasures that are not capitalized. Appraisals have not been obtained and, therefore, no value has been established to add to the capital assets. The items include several original paintings (oil and watercolors) by local artists, an antique Persian rug, an antique United States Flag, historical photographs and documents, and other miscellaneous artifacts.

The District's Collection of library materials is expensed when purchased as they individually are less than the capitalization threshold.

Depreciation expense of \$78,233 for the year was charged to the *Library Services* function in the Statement of Activities. The District capitalizes minor improvements and equipment that exceeds the capitalization threshold. The District includes these expenditures as library materials and services for budgetary and reporting purposes.

BAKER COUNTY LIBRARY DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 For Fiscal Year Ended June 30, 2015

6. OPERATING LEASE

The District has an operating lease agreement with Xerox for a Xerox Workcentre 7830 copier. The Lease Agreement was effective May 1, 2013 and is for 60 months at \$121.34 a month plus the monthly copy charges. The lease agreement provides for a purchase option at the end of the lease to purchase the copier at fair market value. The current fair market value of this copier is \$7,232. Historically, the District initiates a new lease for current equipment at the termination of the lease. Included in the agreement, Xerox provides all consumable supplies to operate the equipment and provides maintenance. The total fiscal year lease expense and copy charges were \$2,851.

7. SHORT-TERM DEBT

The Library District did not utilize a tax anticipation note during the fiscal year. The Library District was able to operate on its own funds during the period (July-October) when it historically would have borrowed funds to operate. The General Fund contingency combined with funds available in the Other Uses Funds were adequate to carry operations until November when the tax revenues are received.

8. LONG-TERM DEBT

The following is a summary of the District's outstanding debt at June 30, 2015:

| Debt Description | General Long-Term Debt Obligation |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|
| The District incurred a long-term debt through a city project titled Resort Street Underground Utility Local Improvement District 2012. The City of Baker City made improvements to Resort Street in 2013 which runs in front of the main library building located in Baker City. The District was billed for \$24,500 in April 2014, payable in 40 semi-annual installments of \$612.50, representing its portion of the street improvements. The board approved the payment of the debt in May 2014 in installments of \$2,000 annually over 14 years. The first payment was due November 23, 2014 with subsequent payments due May 23 and November 23 each year thereafter. The interest rate is variable and will be set every six months using the State Local Government Investment Pool average for the previous six months plus 1%. The current interest rate continues at 1.54% (the pool rate remains at 0.54%). | \$22,871.16 |
| Total Governmental Activity Long-Term Liabilities | <u>\$22,871.16</u> |

The following is a summary of the governmental long-term liability *intended* repayment schedule as of June 30, 2015:

Note Payable to the City of Baker City, LID Project:

| Fiscal Year | Principal | Interest | Total |
|-----------------------|-------------|------------|-------------|
| Year 1 2015-2016 | \$1,654.02 | \$345.98 | \$2,000.00 |
| Year 2 2016-2017 | \$1,679.59 | \$320.41 | \$2,000.00 |
| Year 3 2017-2018 | \$1,705.56 | \$294.44 | \$2,000.00 |
| Year 4 2018-2019 | \$1,731.92 | \$268.08 | \$2,000.00 |
| Year 5 2019-2020 | \$1,758.70 | \$241.30 | \$2,000.00 |
| Years 6-10 2020-2025 | \$9,209.83 | \$790.17 | \$10,000.00 |
| Years 11-13 2025-2028 | \$5,131.53 | \$125.32 | \$5,256.85 |
| Totals | \$22,871.15 | \$2,385.70 | \$25,256.85 |

BAKER COUNTY LIBRARY DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 For Fiscal Year Ended June 30, 2015

9. INTERFUND TRANSFERS

Interfund transfers for the fiscal year are as follows:

| <u>Transfers Out:</u> | <u>Transfers In:</u> |
|--------------------------------------|----------------------------|
| General Fund | Special Fund – Other Uses: |
| General Fund | \$ 1,000 |
| General Fund | \$ 1,500 |
| | \$10,000 |
| | General Fund: |
| Other Uses Funds-Memorial Department | \$ 4,000 |

A budgeted transfer of \$1,000 from the General Fund to the Technology Department (Special Revenue-Other Uses Funds) was made to save funds for future technology needs.

A budgeted transfer of \$1,500 from the General Fund to the Memorial Department (Special Revenue-Other Uses Funds), was made to set aside funds for anticipated election costs.

A budgeted transfer of \$10,000 from the General Fund to the Severance Liability Department (Special Revenue-Other Uses Funds) was made to accumulate monies for projected retirement packages. There were no retirement payouts made during the fiscal year.

A budgeted transfer of \$4,000 from the Memorial Department (Special Revenue – Other Uses) was dispersed out of online book sales revenues that accumulate in the Memorial Department to supplement the General Fund book budget.

10. STATE CONSTITUTIONAL PROPERTY TAX LIMIT

The Oregon voters in 1990 approved a state constitutional limit on property taxes for schools and non-school government operations (Measure 5). Under those provisions of the limitation, tax revenues are separated into those for the public school system and those for local government operations other than the public school system. The limitation specified a maximum allowable tax of \$10.00 for each \$1,000 of property real market value imposed by the local government for fiscal 1995-1996 and thereafter. The Oregon Department of Revenue established permanent rates for each taxing district in effect eliminating all tax bases.

In May 1997 Oregon voters approved an additional state constitutional limit (Measure 50) on assessed values used on the calculation of property taxes for school and non-school government operations. Beginning in fiscal 1997-98 assessed values were rolled back to the lesser of fiscal 1995-96 real market values, less an additional 10% or current real market values. New construction from July 1, 1995 and taxes levied for repayment of debt are not subject to the roll back. Future increases in assessed values of an individual property are limited to a maximum 3% increase independent of new construction.

The permanent tax rate for the District set by the State is \$0.5334 per \$1,000 of assessed valuation. The caps imposed by Measure 5 significantly affect the availability of property tax revenues for the District in areas where all local government taxes combined exceed the \$10 limit. In areas that are compressed, the tax rate will yield only its proportionate amount of the \$10.

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2015

11. PENSION PLAN

General Information about the Pension Plan
Plan Description

The Baker County Library District provides employees with pensions through the Oregon Public Employees Retirement System (PERS) a cost-sharing multiple-employer defined benefit pension plan. The Oregon Legislature delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after this date.

Benefits Provided

1. PERS Defined Benefit (DB) Pension Plan, Tier One/Tier Two Retirement Benefit (ORS 238)

Pension Benefits – The Defined Benefit Pension Plan (ORS 238) is closed to new members on or after August 29, 2003. The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if they have had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer. General Service employees may retire after reaching age 55. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Tier Two members are eligible for full benefits at age 60. For complete list of requirements related to vesting and retirement age, see the PERS website*.

Death Benefits – Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- The member was employed by a PERS employer at the time of death,
- The member died within 120 days after termination of PERS-covered employment,
- The member died as a result of injury sustained while employed in a PERS-covered job, or
- The member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits – A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes After Retirement – Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000. (See discussion of Oregon Supreme Court decision on Page 29.)

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2015

2. OPSRP Pension Program (OPSRP DB)

Pension Benefits – The Pension Program (ORS 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age: for General Service 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit. A member of the OPSRP Pension Program becomes vested on the earliest of the date the member completes 600 hours of service in each of five calendar years or the date the member reaches normal retirement age. For complete list of requirements related to vesting and retirement age, see the PERS website*.

Death Benefits – Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse receives for life 50 percent that would otherwise have been paid to the deceased member.

Disability Benefits – A member with 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement – Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on the COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and 0.15 percent on annual benefits above \$60,000.

3. OPSRP Individual Account Program (OPSRP IAP)

Pension Benefits – An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completed 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, or 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits – Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping – PERS contracts with VOYA Financial to maintain IAP participant records.

Contributions

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and Other Postemployment Benefit Plans.

Employer contribution rates during the period were based on the December 31, 2011 actuarial valuation as subsequently modified by 2013 legislated changes in benefit provisions. The rates based on a percentage of payroll, first became effective July 1, 2013. Employer contributions for the year ended June 30, 2015 were \$45,409, excluding amounts to fund employer specific liabilities.

The rates in effect for the fiscal year ended June 30, 2015 were 13.2% for Tier One/Tier Two General Service members and 10.44% for OPSRP Pension Program General Service members, and 6% for OPSRP Individual Account Program.

Pension Plan Comprehensive Annual Financial Report (CAFR)

Oregon PERS issues a publicly available Comprehensive Annual Financial Report and Actuarial Valuation that can be obtained at: http://www.oregon.gov/pers/Pages/section/financial_reports/financials.aspx

*PERS Website: <http://www.oregon.gov/pers/Pages/index.aspx>

BAKER COUNTY LIBRARY DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 For Fiscal Year Ended June 30, 2015

Actuarial Valuations

The employer contribution rates effective July 1, 2013 through June 30, 2015, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, the method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

The total pension liability in the actuarial evaluation was determined using the following actuarial assumptions:

| | |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Valuation date | December 31, 2012 rolled forward to June 30, 2014 |
| Experience study report | 2012, published September 18, 2013 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Amortized as a level percentage of payroll; as layered amortization bases over a closed period; Tier One/Tier Two UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years |
| Asset valuation method | Market value of assets |
| Actuarial assumptions: | |
| Inflation rate | 2.75 percent |
| Investment rate of return | 7.75 percent |
| Projected salary increases | 3.75 percent overall payroll growth |

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2012 Experience Study which reviewed experience for the four-year period ending on December 31, 2012. *For complete list of actuarial assumptions, see the PERS website*.*

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary 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 for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

The sensitivity of the District's net pension liability to changes in the discount rate is presented below, which shows the District's net pension liability calculated using the discount rate of 7.75% as well as the net pension liability using a discount rate that is 1.0% (6.75%) lower or 1.0% (8.75%) higher than the current rate.

| Discount Rate | 1% Decrease (6.75%) | Current Rate (7.75%) | 1% Increase (8.75%) |
|----------------------------------------------------------|---------------------|----------------------|---------------------|
| Proportionate share of the Net Pension Liability (Asset) | \$273,658 | (\$129,225) | (\$469,964) |

BAKER COUNTY LIBRARY DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 For Fiscal Year Ended June 30, 2015

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

At June 30, 2015, the District reported an asset of \$129,225 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2012 rolled forward to June 30, 2014. The District's proportion of the net pension asset was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2014, the District's proportion was 0.00570098 percent, which was unchanged from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension income of \$165,607. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Net difference between projected and actual earnings on investments | | \$249,352 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | | \$4,509 |
| Total (prior to post-Measurement Date MD contributions) | | \$253,861 |
| Contributions subsequent to the MD | \$46,457 | |
| Net deferred outflows (inflows) of resources | | (\$207,404) |

\$46,457 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Subsequent Fiscal Year | Deferred Outflow (Inflow) of Resources |
|------------------------|----------------------------------------|
| 2016 | (\$63,318) |
| 2017 | (\$63,318) |
| 2018 | (\$63,318) |
| 2019 | (\$63,318) |
| 2020 | (\$589) |
| Thereafter | \$0 |
| Total | (\$253,861) |

Changes in Plan Provisions Subsequent to Measurement Date

The Oregon Supreme Court on April 30, 2015, ruled that the provisions of Senate Bill 861, signed into law in October 2013, that limited the post-retirement COLA on benefits accrued prior to the signing of the law was unconstitutional. Benefits could be modified prospectively, but not retrospectively. As a result, those who retired before the bills were passed will continue to receive a COLA tied to the Consumer Price Index that normally results in a 2% increase annually. PERS will make restoration payments to those benefit recipients.

PERS members who have accrued benefits before and after the effective dates of the 2013 legislation will have a blended COLA rate when they retire.

This is a change in benefit terms subsequent to the measurement date of June 30, 2014, and has not been included in the net pension liability (asset) proportionate shares provided by PERS.

The information in this Pension Note was provided by PERS. For complete information see the PERS website.*

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2015

12. RISK MANAGEMENT

The Library District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years. The Library District obtains most of its insurance coverage through Special Districts Association of Oregon under an insurance pooling arrangement in which many special districts in Oregon participate. The risk of additional assessments to the Library District over premiums previously paid is presently deemed remote by District management.

13. COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS:

The Library District is self-insured for unemployment claims purposes. Information related to maximum exposure of the District for all terminated employees at the end of the fiscal year is not available. Management believes there are no claims for the fiscal year.

Compensated absences are comprised of accumulated vacation leave and accumulated sick leave that has vested at the fiscal year end and are accrued in the government-wide financial statements.

Subsequent events are events or transactions that occur after the financial statements date, but before financial statements are issued. The Library District recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the financial statements, including the estimates inherent in the process of preparing the financial statements. The Library District's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the financial statement but arose after the financial statements date and before the financial statements are available to be issued. The Library District has evaluated subsequent events through December 16, 2015, the date that the financial statements were available to be issued. The Library District had no subsequent events to report.

REQUIRED SUPPLEMENTARY INFORMATION

BAKER COUNTY LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MAJOR FUND
GOVERNMENTAL FUNDS - GENERAL FUND
For Fiscal Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--------------------------------------------------------------------|--------------------|------------------|-------------------|----------------------------------------|
| REVENUES | | | | |
| Taxes: | | | | |
| Current Year Taxes | \$ 863,823 | \$ 896,000 | \$ 887,323 | \$ (8,677) |
| Prior Years' Taxes | 40,000 | 35,000 | 30,897 | (4,103) |
| Other Tax Revenues | 3,500 | 3,500 | 1,906 | (1,594) |
| Total Taxes | 907,323 | 934,500 | 920,126 | (14,374) |
| Intergovernmental Revenues: | | | | |
| State Resource Sharing | 6,600 | 7,045 | 7,045 | 0 |
| Fines and Fees: | | | | |
| Overdue fines and fees | 18,000 | 17,000 | 15,974 | (1,026) |
| Grant Revenues | 0 | 0 | 0 | 0 |
| Contributions | 100 | 100 | 100 | 0 |
| Other Revenues - Misc | 750 | 950 | 851 | (99) |
| Other Revenues - USAC E-Rate Program | 5,000 | 4,000 | 5,782 | 1,782 |
| Other Revenues - job training programs | 100 | 50 | 0 | (50) |
| Technology Manager - special contracts | 3,100 | 3,900 | 5,088 | 1,188 |
| Interest | 12,500 | 11,100 | 9,051 | (2,049) |
| Total Revenues | 953,473 | 978,645 | 964,017 | (14,628) |
| EXPENDITURES | | | | |
| Personal Services: | | | | |
| Library director | 71,718 | 71,720 | 71,718 | 2 |
| Administrative assistant | 18,921 | 18,600 | 18,585 | 15 |
| Bookmobile drivers | 17,585 | 10,950 | 10,335 | 615 |
| Branch supervisors and clerks | 57,161 | 59,050 | 58,418 | 632 |
| Business manager | 20,579 | 23,250 | 23,214 | 36 |
| Cataloging specialist | 25,715 | 5,250 | 8,522 | (3,272) |
| Children and youth librarian | 24,498 | 24,250 | 24,098 | 152 |
| Clerks - general | 49,860 | 52,830 | 50,764 | 2,066 |
| Collection management and branch lead | 27,999 | 28,500 | 28,962 | (462) |
| Facilities maintenance | 9,626 | 6,510 | 6,370 | 140 |
| Job Training Intern | 0 | 0 | 0 | 0 |
| Office manager and administrative asst | 39,199 | 41,000 | 41,159 | (159) |
| Periodicals manager | 30,713 | 30,750 | 30,722 | 28 |
| Shelving and volunteer manager | 16,018 | 15,500 | 15,171 | 329 |
| Technology manager - IT network and system admin | 45,546 | 44,340 | 47,653 | (3,313) |
| Technology manager - special contracts | 2,100 | 3,800 | 0 | 3,800 |
| Vacation substitutes | 8,556 | 9,650 | 9,876 | (226) |
| Severance retirement | 0 | 0 | 0 | 0 |
| PERS retirement program | 50,972 | 46,500 | 45,409 | 1,091 |
| Payroll taxes and insurance | 38,744 | 36,950 | 37,922 | (972) |
| Group health and life insurance | 111,677 | 98,950 | 95,428 | 3,522 |
| Total Personal Services | 667,187 | 628,350 | 624,326 | 4,024 |
| Materials and Services: | | | | |
| Collection development (books and periodicals) | 65,500 | 99,500 | 100,810 | (1,310) |
| Library consortium - Sage membership and expenses | 10,900 | 10,800 | 10,676 | 124 |
| Facilities maintenance | 25,800 | 25,800 | 21,236 | 4,564 |
| Janitorial contract | 10,500 | 10,500 | 11,270 | (770) |
| Janitorial supplies | 2,100 | 2,600 | 2,660 | (60) |
| Equipment lease | 3,500 | 2,500 | 2,851 | (351) |
| Computer maintenance | 20,000 | 21,700 | 22,352 | (652) |
| Bookmobile operations | 8,000 | 7,300 | 7,001 | 299 |
| Insurance | 14,000 | 15,820 | 15,812 | 8 |
| Travel and training | 3,000 | 5,295 | 6,361 | (1,066) |
| Technician travel - special contract | 1,000 | 1,000 | 1,125 | (125) |
| Election | 3,300 | 3,300 | 2,567 | 733 |
| Professional fees - audit services | 7,675 | 7,675 | 7,650 | 25 |
| Bookkeeping supplies | 800 | 800 | 813 | (13) |
| Dues and subscription | 1,600 | 3,000 | 2,420 | 580 |
| Publication | 1,000 | 1,600 | 1,549 | 51 |
| Financial management fees | 1,075 | 1,075 | 1,042 | 33 |
| Legal administration | 200 | 200 | 250 | (50) |
| Public programs | 2,000 | 2,500 | 2,958 | (458) |
| Branch mileage | 3,000 | 2,750 | 2,955 | (205) |
| Library service supplies | 14,500 | 13,000 | 11,647 | 1,353 |
| Youth and childrens programs | 3,500 | 5,000 | 4,133 | 867 |
| Postage | 1,700 | 1,550 | 1,494 | 56 |
| Utilities | 44,385 | 40,000 | 41,528 | (1,528) |
| Telecommunications | 13,030 | 12,800 | 13,094 | (294) |
| Total Materials and Services | 262,065 | 298,065 | 296,254 | 1,811 |
| Debt Service Payments | 2,000 | 2,000 | 2,000 | 0 |
| Capital Outlay | 100 | 100 | 0 | 100 |
| Operating Contingency | 218,621 | 231,630 | 0 | 231,630 |
| Total Expenditures | 1,149,973 | 1,160,145 | 922,580 | 237,565 |
| Revenues Over (Under) Expenditures | (196,500) | (181,500) | 41,437 | 222,937 |
| Other Financing Sources (Uses): | | | | |
| Operating Transfers In | 4,000 | 4,000 | 4,000 | 0 |
| Operating Transfers Out | (12,500) | (12,500) | (12,500) | 0 |
| Proceeds from Capital Financing | 0 | 0 | 0 | 0 |
| Total Other Financing Uses | (8,500) | (8,500) | (8,500) | 0 |
| Revenues Over (Under) Expenditures and Other Financing Uses | (205,000) | (190,000) | 32,937 | 222,937 |
| Fund Balances, Beginning | 205,000 | 190,000 | 158,124 | (31,876) |
| Fund Balances, Ending | \$ 0 | \$ 0 | \$ 191,061 | \$ 191,061 |

The notes to the financial statements are an integral part of this statement.

BAKER COUNTY LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MAJOR FUND
GOVERNMENTAL FUNDS - OTHER USES FUNDS
For Fiscal Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------------------------|--------------------|------------------|-------------------|----------------------------------------|
| REVENUES: | | | | |
| Local Sources: | | | | |
| Grants | \$ 17,800 | \$ 17,800 | \$ 8,000 | \$ (9,800) |
| Contributions | 2,500 | 2,500 | 1,220 | (1,280) |
| Other Revenues | 4,000 | 4,000 | 3,278 | (722) |
| Interest | 600 | 600 | 688 | 88 |
| Total Revenues | <u>24,900</u> | <u>24,900</u> | <u>13,186</u> | <u>(11,714)</u> |
| EXPENDITURES: | | | | |
| Materials and Services: | | | | |
| Memorial Department | 115,900 | 115,900 | 9,060 | 106,840 |
| Literacy Department | 500 | 500 | 1 | 499 |
| Technology Department | 12,000 | 12,000 | 3,005 | 8,995 |
| Severance Liability Department | 50,000 | 50,000 | 41 | 49,959 |
| Capital Outlay: | | | | |
| Capital Projects Department | 6,000 | 6,000 | 0 | 6,000 |
| Total Expenditures | <u>184,400</u> | <u>184,400</u> | <u>12,107</u> | <u>172,293</u> |
| Revenues Over (Under) | | | | |
| Expenditures | <u>(159,500)</u> | <u>(159,500)</u> | <u>1,079</u> | <u>160,579</u> |
| Other Financing Sources (Uses): | | | | |
| Operating Transfers In | 11,000 | 11,000 | 12,500 | (1,500) |
| Operating Transfers Out | <u>(5,500)</u> | <u>(5,500)</u> | <u>(4,000)</u> | <u>1,500</u> |
| Total Other Financing Sources | <u>5,500</u> | <u>5,500</u> | <u>8,500</u> | <u>0</u> |
| Revenues and Other Financial Sources Over (Under) | | | | |
| Expenditures and Other Financing Uses | <u>(154,000)</u> | <u>(154,000)</u> | <u>9,579</u> | <u>163,579</u> |
| Fund Balances, Beginning | <u>154,000</u> | <u>154,000</u> | <u>148,998</u> | <u>(5,002)</u> |
| Fund Balances, Ending | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 158,577</u> | <u>\$ 158,577</u> |

The notes to the financial statements are an integral part of this statement.

OTHER SUPPLEMENTARY INFORMATION

BAKER COUNTY LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
AGENCY FUND - SAGE FUND
For the Year Ended June 30, 2015

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|------------------------------------------|--------------------|------------------|-------------------|----------------------------------------|
| REVENUES: | | | | |
| Local Sources: | | | | |
| Grants | \$ 117,571 | \$ 117,571 | \$ 118,811 | \$ 1,240 |
| Membership dues | 192,740 | 194,000 | 193,160 | (840) |
| Other revenues | 0 | 0 | 6,030 | 6,030 |
| Interest | 250 | 250 | 0 | (250) |
| Total revenues | <u>310,561</u> | <u>311,821</u> | <u>318,001</u> | <u>6,180</u> |
| EXPENDITURES: | | | | |
| Personal Services: | | | | |
| Sage system manager | 44,125 | 49,641 | 49,643 | (2) |
| Business manager | 6,104 | 6,104 | 5,165 | 939 |
| Sage payroll taxes & benefits | 18,440 | 23,096 | 21,358 | 1,738 |
| Sub-total Sage fund personal services | <u>68,669</u> | <u>78,841</u> | <u>76,166</u> | <u>2,675</u> |
| Catalog specialist (grant) | 26,861 | 26,861 | 22,300 | 4,561 |
| Catalog project general staff (grant) | 5,100 | 5,100 | 5,027 | 73 |
| Catalog project payroll taxes & benefits | 9,400 | 9,400 | 9,350 | 50 |
| Sub-total grant personal services | <u>41,361</u> | <u>41,361</u> | <u>36,677</u> | <u>4,684</u> |
| Total personal services | <u>110,030</u> | <u>120,202</u> | <u>112,843</u> | <u>7,359</u> |
| Materials and Services: | | | | |
| Audit professional fees | 2,900 | 2,900 | 0 | 2,900 |
| Courier services and supplies | 102,000 | 102,000 | 87,389 | 14,611 |
| Catalog grant supplies and expenses | 4,110 | 4,110 | 9,158 | (5,048) |
| Dues and subscriptions | 500 | 500 | 2,583 | (2,083) |
| Legal services | 100 | 100 | 91 | 9 |
| Office supplies and miscellaneous | 425 | 425 | 624 | (199) |
| Postage | 60 | 60 | 0 | 60 |
| Technical services contract | 59,318 | 59,318 | 59,505 | (187) |
| Technology expense | 12,000 | 4,500 | 5,309 | (809) |
| Telecommunications | 400 | 550 | 745 | (195) |
| Training | 1,500 | 1,500 | 2,961 | (1,461) |
| Travel | 3,000 | 3,000 | 3,489 | (489) |
| Total materials and services | <u>186,313</u> | <u>178,963</u> | <u>171,854</u> | <u>7,109</u> |
| Capital outlay | 21,000 | 21,000 | 0 | 21,000 |
| Operating contingency | 11,000 | 11,000 | 0 | 11,000 |
| Total expenditures | <u>328,343</u> | <u>331,165</u> | <u>284,697</u> | <u>46,468</u> |
| Revenues Over (Under) Expenditures | (17,782) | (19,344) | 33,304 | 52,648 |
| Other Financing Sources: | | | | |
| Proceeds from prior fiduciary account | 0 | 0 | 7,118 | 7,118 |
| Fund Balances, Beginning | <u>70,283</u> | <u>102,200</u> | <u>95,000</u> | <u>(7,200)</u> |
| Fund Balances, Ending | <u>\$ 52,501</u> | <u>\$ 82,856</u> | <u>\$ 135,422</u> | <u>\$ 52,566</u> |

BAKER COUNTY LIBRARY DISTRICT
 SCHEDULE OF PROPERTY TAX TRANSACTIONS
 For Fiscal Year Ended June 30, 2015

| Tax Year | Taxes Receivable June 30, 2014 | Current Levy | Adjustments | Discounts Allowed | Taxes Collected | Taxes Receivable June 30, 2015 |
|-----------------|--------------------------------------|-------------------|-----------------|----------------------|--------------------|--------------------------------------|
| 2014-15 | \$ 0 | \$ 954,135 | \$ 3,580 | (23,776) | \$ 889,230 | \$ 44,710 |
| 2013-14 | 34,303 | 0 | (985) | 0 | 12,932 | 20,386 |
| 2012-13 | 22,076 | 0 | (1,007) | 0 | 7,213 | 13,856 |
| 2011-12 | 15,435 | 0 | (1,046) | 0 | 8,375 | 6,014 |
| 2010-11 | 4,055 | 0 | (958) | 0 | 1,962 | 1,136 |
| 2009-10 | 522 | 0 | (82) | 0 | 254 | 186 |
| 2008-09 | 306 | 0 | (71) | 0 | 160 | 75 |
| All Prior Years | <u>877</u> | <u>0</u> | <u>(46)</u> | <u>0</u> | <u>0</u> | <u>829</u> |
| Total | \$ <u>77,574</u> | \$ <u>954,135</u> | \$ <u>(615)</u> | \$ <u>(23,776)</u> | 920,126 | \$ <u>87,192</u> |
| | | | | Interest Collections | 7,571 | |
| | | | | Total Collections | \$ <u>927,697</u> | |

| | General Fund |
|--------------------------------------|-------------------|
| <u>Current Year Tax Collections:</u> | |
| Current General Levy | \$ 649,488 |
| Current Local Option Levy | 237,835 |
| Other Taxes | 1,906 |
| Current Interest | 420 |
| Total Current Year | \$ <u>889,649</u> |
| <u>Prior Years Tax Collections:</u> | |
| Prior General & Local Option Levy | \$ 30,897 |
| Prior Interest | 7,151 |
| Total Prior Years | <u>38,048</u> |
| Combined Totals | \$ <u>927,697</u> |

AUDIT COMMENTS AND DISCLOSURES
REQUIRED BY STATE REGULATIONS

**Independent Auditor's Report
Required by Oregon State Regulations**

We have audited the basic financial statements of the Baker County Library District as of and for the year ended June 30, 2015, and have issued our report thereon dated December 16, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Baker County Library District financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements 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.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

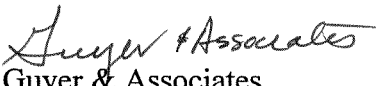
- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294.900).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing nothing came to our attention that caused us to believe the Baker County Library District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered Baker County Library District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Baker County Library District internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Baker County Library District internal control over financial reporting. We have included our comments on internal control in a separate letter to the Board of Directors dated December 16, 2015.

This report is intended solely for the information and use of the Board of Directors and management of Baker County Library District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.


Guyer & Associates
Certified Public Accountants
A Professional Corporation
Baker City, Oregon

December 16, 2015