

**BAKER COUNTY LIBRARY DISTRICT
BAKER CITY, OREGON**

**FINANCIAL STATEMENTS
As of and For the Fiscal Year Ended
June 30, 2013**

BAKER COUNTY LIBRARY DISTRICT
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BAKER COUNTY LIBRARY DISTRICT
 BAKER CITY, OREGON
 LIST OF ELECTED BOARD OF DIRECTORS
 For the Fiscal Year Ended June 30, 2013

		<u>Term</u> <u>Expiration</u>
<u>Board of Directors:</u>		
President	Gary Dielman Baker City, Oregon	June 30, 2015
Director	Nellie Forrester Halfway, Oregon	June 30, 2015
Director	Betty Palmer Baker City, Oregon	June 30, 2013
Director	Della Steele North Powder, Oregon	June 30, 2013
Director	Kyra Rohner-Ingram Baker City, Oregon	June 30, 2013
 <u>Budget Committee:</u>		
Member	Nancy Johnson Baker City, Oregon	Appointed
Member	MaryAlys Urey Baker City, Oregon	Appointed
Member	Jim Tomlinson Baker City, Oregon	Appointed
Member	Joy LeaMaster Baker City, Oregon	Appointed
Member	Tom Hudson Baker City, Oregon	Appointed
 <u>District Administration:</u>		
Library Director and Budget Officer	Perry Stokes Baker City, Oregon	Appointed
 <u>Registered Agent:</u>		
District Attorney	Matt Shirtcliff Baker City, Oregon	Appointed

December 31, 2013

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 and each major fund of the Baker County Library District, Baker City, Oregon, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the District's audited June 30, 2012 financial statements, on which we expressed an unqualified opinion in our report dated December 27, 2012.

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, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United 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 31, 2013, 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, Principal
Baker City, Oregon

MANAGEMENT'S DISCUSSION AND ANALYSIS

Baker County Library District
Management's Discussion and Analysis

The management of the Baker County Library District offers readers of the Baker County Library District's financial statements this narrative overview and analysis of the financial activities of the Baker County Library District for the fiscal year ended June 30, 2013.

Financial Highlights

Assets of the Baker County Library District exceeded its liabilities at the close of the most recent fiscal year by \$2,424,950 (*net position*). The District's total net position increased by \$9,616 primarily due to an increase in cash that exceeded the asset depreciation. Current assets increased \$92,337 due to an increasing contingency fund and a large bequest donation. The capital assets decreased \$74,247 primarily due to depreciation. The Library collection increased by \$5,807 this year as the District continues to purchase new titles in excess of purging outdated materials. Building & Improvements decreased \$63,755 due to depreciation. Furniture, fixtures and equipment decreased \$11,508 primarily due to depreciation. The District previously advanced \$2,500 for the construction of an art amenity, the artist was unable to complete the project and has agreed to repay the advanced funds (see note 3). The majority of the District's book genre's and branch libraries have been weeded and updated with new titles. The District continues to fund a staff position to maintain the updated relevancy of the collections.

At the close of the current fiscal year, the Baker County Library District's governmental funds reported combined ending fund balance (*modified accrual*) of \$311,204, of which \$147,917 is committed for special funds-other uses. The General Fund balance of \$163,287 represents the amount that assets exceed liabilities. The combined ending fund balance at the end of the previous fiscal year was \$215,302.

The General Fund contains the only funds available for discretionary spending, with a current balance of \$163,287 (*unassigned fund balance*). This unassigned fund balance remains relatively flat showing a slight increase of \$640 in the ending fund balance in the General Fund over the previous fiscal year, which was \$162,647 on the modified accrual basis. Combining assets in cash of \$216,684, property taxes receivable of \$83,693 and miscellaneous assets of \$2,170 with liabilities of \$139,260, the General Fund ending balance is \$163,287. This represents a decrease in assets of \$2,944 and a decrease in liabilities of \$3,584 over the last fiscal year. The overall change in liabilities was largely due to a decrease in accounts payable. In the current fiscal year deferred revenue increased slightly by \$508. However, the other liabilities decreased, accounts payable decreased by \$5,788 while wages and payroll taxes payable increased by \$1,626. The Baker County Library District continues to have no debt at the close of the fiscal year.

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 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 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 on pages 10-11 yielded a total of \$1,014,545 in revenues, of which \$890,375 (88% of total District revenues) was derived from property taxes. The District does not have any fees for service that would be defined as *business activities*, such as supplying services. The charges for services of \$17,238 (1.5% 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. Costs do not incur for borrowing materials unless a person does not return them as agreed. Grants awarded of \$15,000 (1.5% of revenues) and contributions of \$64,991 (6% of revenues); interest and miscellaneous revenues of \$26,941 represent the final 3% of District 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.

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. All of the funds of the Baker County Library District come under the category of governmental funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating 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 has been provided for each fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 and 14 of this report.

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 on pages 16-26 of this report.

Information concerning the Baker County Library District's progress in funding its obligation to provide pension benefits to its employees can be found on pages 24-25.

Required supplementary information. This section contains a statement of revenues, expenditures and changes in fund balance for each of the two District funds on the modified accrual basis. These statements compare the budget with actual expenditures and are found on pages 27-29.

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 \$2,424,950 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, equipment, library collections). 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 \$185,999 for unassigned net assets and \$147,917 for committed net assets on the full accrual basis.

	<u>Net Position</u>	
	<u>Fiscal Year</u> <u>2012-2013</u>	<u>Fiscal Year</u> <u>2011-2012</u>
Current assets	\$ 450,483	\$ 358,146
Capital assets	<u>2,091,034</u>	<u>2,165,281</u>
Total assets	<u>2,541,517</u>	<u>2,523,427</u>
Current liabilities	116,567	108,093
Long-term liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>116,567</u>	<u>108,093</u>
Invested in capital assets, Net of related debt	2,091,034	2,165,281
Unassigned, Reported in General fund	185,999	197,398
Committed to special uses	<u>147,917</u>	<u>52,655</u>
Total net position	<u>\$2,424,950</u>	<u>\$2,415,334</u>

The District's current fiscal year net position increased by \$9,616 over the prior fiscal year, remaining relatively steady. This increase represents the net of increasing cash reserves that was greater than the decrease in capital assets due to depreciation. The change in net position is reported on page 11 of this report.

Governmental funds. Governmental funds increased the total fund balance by \$95,902. The fund balance of the General Fund increased by \$640 while the Other Uses Funds increased by \$95,262. The large increase in Other Funds was due to a large bequest and grant funds. These numbers are given in summary on page 14 and broken down by fund on pages 27-29.

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 a fund balance of \$163,287 in the General Fund at fiscal year end. The District budgets its transactions on the cash basis of accounting.

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

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Total Revenues	\$ 951,250	\$935,849	\$ (15,401)
Expenditures:			
Personal Services	649,755	640,807	8,948
Materials & Supplies	293,792	282,450	11,342
Debt Service	952	952	0
Capital Outlay	0	0	0
Contingency	<u>217,594</u>	<u>0</u>	<u>217,594</u>
Total Expenditures	<u>1,162,093</u>	<u>924,209</u>	<u>237,884</u>
Revenues Over (Under) Expenditures	(210,843)	11,640	222,483
Other Financing Sources (Uses)	<u>(8,500)</u>	<u>(11,000)</u>	<u>(2,500)</u>
Revenues Over (Under) Expenditures And Other Financing Uses	(219,343)	640	219,983
Fund Balances, Beginning	<u>219,343</u>	<u>162,647</u>	<u>(56,696)</u>
Fund Balances, Ending	<u>\$ 0</u>	<u>\$163,287</u>	<u>\$163,287</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 next fiscal year decreasing slightly for fiscal year 2013-2014 to \$1,172,311 as compared to fiscal year 2012-2013 of \$1,173,093 (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 budget, Personal Services increased slightly at 3.8% over the previous fiscal year with effort given to maintain current personnel and public service levels. The largest personal services cost increase was for group health insurance. The District continued to provide the same group health insurance plan as in

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

the prior fiscal year with a cost increase of 15.7%. The District gave a modest 1% cost-of-living pay increases and scheduled raises. The retirement contributions increased by 9.8% over the prior year mostly due to a rate increase. The PERS Tier 1/Tier 2 and OPSRP General Service contribution rates increased this year and are currently 13.2% and 10.44%, respectively. Materials and Services decreased slightly at 1% over last fiscal year. The book budget continued to hold at an average rate of 8% of the budget for the third consecutive fiscal year (the standard for the Library industry is 10-15%).

The Library District continues a District-wide weeding of its collections, replacing antiquated materials with current titles or new copies in all genres. This activity has intensified in the past two years. The recent focus has been on maintaining a viable and relevant collection that increases the library usage at all of the District library branches. The titles available in audio books (both CD's available and titles available in downloadable versions on the website), e-books and movie collections continue to increase to meet growing demand. The Library participates in the Sage Library System, a regional library consortium administered through Eastern Oregon University that exponentially expands the number of materials available to patrons. Computer and software upgrades will be the focus in the upcoming year.

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.

BASIC FINANCIAL STATEMENTS

BAKER COUNTY LIBRARY DISTRICT
STATEMENT OF NET POSITION
June 30, 2013

	Total Governmental Activities	
	6/30/2013	6/30/2012
ASSETS		
Current Assets:		
Cash and investments	\$ 362,320	\$ 271,998
Property taxes receivable	83,693	83,185
Accounts receivable	3,445	2,263
Payroll advances	900	700
Prepaid expenses	125	0
Total current assets	450,483	358,146
Capital Assets (net of accumulated depreciation):		
Land	42,800	42,800
Buildings and improvements	1,727,133	1,790,888
Furniture, fixtures and equipment	30,908	42,416
Vehicles	36,498	41,289
Library collection	253,695	247,888
Total capital assets	2,091,034	2,165,281
Total assets	2,541,517	2,523,427
LIABILITIES		
Current Liabilities:		
Accounts payable	11,547	17,316
Wages and payroll taxes payable	44,039	42,343
Compensated absences payable	60,981	48,434
Total liabilities	116,567	108,093
NET POSITION		
Invested in capital assets, net of related debt	2,091,034	2,165,281
Unrestricted:		
Committed for special uses	147,917	52,655
Unrestricted	185,999	197,398
Total net position	\$ 2,424,950	\$ 2,415,334

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, 2013

	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	6/30/2012
	Expenses	Charges for Services	Operating Grants, Reimbursements and Contributions			
Governmental Activities:						
Library Services	\$ 1,003,977	\$ 17,238	\$ 79,991	\$ -	\$ (906,748)	\$ (948,174)
Interest Expense	952	-	-	-	(952)	(758)
Total Governmental Activities	<u>\$ 1,004,929</u>	<u>\$ 17,238</u>	<u>\$ 79,991</u>	<u>\$ -</u>	<u>(907,700)</u>	<u>(948,932)</u>
General revenues:						
Property taxes					890,375	879,655
State Resource Sharing					5,838	5,727
Interest					9,734	7,299
Miscellaneous					11,369	13,285
Total general revenues					<u>917,316</u>	<u>905,966</u>
Change in net assets					9,616	(42,966)
Net position - beginning					2,415,334	2,458,300
Net position - ending					<u>\$ 2,424,950</u>	<u>\$ 2,415,334</u>

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

BAKER COUNTY LIBRARY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013
with Comparative Totals for June 30, 2012

	Current Year 6/30/2013			Prior Year FY 6/30/2012	Increase (Decrease)
	Special Funds -		Total	Total	Current
	General Fund	Other Uses Fund	Governmental Funds	Governmental Funds	year over prior year
ASSETS					
Cash and Cash Equivalents	\$ 216,684	\$ 145,636	\$ 362,320	\$ 271,998	\$ 90,322
Property Taxes Receivable	83,693	0	83,693	83,185	508
Account Receivable	1,145	2,300	3,445	2,263	1,182
Payroll Advances	900	0	900	700	200
Prepaid Expenses	125	0	125	0	125
Total Assets	\$ 302,547	\$ 147,936	\$ 450,483	\$ 358,146	\$ 92,337
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE					
Liabilities:					
Accounts Payable	\$ 11,528	\$ 19	\$ 11,547	\$ 17,316	\$ (5,769)
Wages Payable	37,370	0	37,370	37,549	(179)
Payroll Taxes and Benefits Payable	6,669	0	6,669	4,794	1,875
Deferred Inflows	83,693	0	83,693	83,185	508
Total Liabilities	139,260	19	139,279	142,844	(3,565)
 Fund Balance:					
Unassigned, Reported In:					
General Fund	163,287		163,287	162,647	640
Special Uses Fund		147,917	147,917	52,655	95,262
Total Fund Balance	163,287	147,917	311,204	215,302	95,902
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 302,547	\$ 147,936	\$ 450,483	\$ 358,146	\$ 92,337

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, 2013

TOTAL FUND BALANCES		\$	311,204
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Capital assets are not financial resources and therefore are not reported in the governmental funds:

Cost		\$ 3,256,321	
Accumulated depreciation		<u>(1,165,287)</u>	
			2,091,034

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.

83,693

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.

(60,981)

TOTAL NET POSITION

\$ 2,424,950

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

BAKER COUNTY LIBRARY DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
with Comparative Totals for June 30, 2012

	Current Year 6/30/2013			Prior Year FY 6/30/2012	Increase (Decrease)
	General Fund	Special Funds - Other Uses Fund	Total Governmental Funds	Total Governmental Funds	Current year over prior year
REVENUES:					
Property Taxes	\$ 889,867	\$ 0	\$ 889,867	\$ 868,730	\$ 21,137
Intergovernmental	5,838	0	5,838	5,727	111
Fines and Forfeitures	17,238	0	17,238	16,429	809
Grants	0	15,000	15,000	8,500	6,500
Contributions	150	64,841	64,991	550	64,441
Other Revenues	13,314	4,806	18,120	19,298	(1,178)
Interest	9,442	292	9,734	7,299	2,435
Total Revenue	<u>935,849</u>	<u>84,939</u>	<u>1,020,788</u>	<u>926,533</u>	<u>94,255</u>
EXPENDITURES:					
Current:					
Library Services	923,257	677	923,934	920,237	3,697
Debt Service:					
Principal	0	0	0	0	0
Interest	952	0	952	758	194
Total Expenditures:	<u>924,209</u>	<u>677</u>	<u>924,886</u>	<u>920,995</u>	<u>3,891</u>
Excess (Deficit) of Revenues Over Expenditures	<u>11,640</u>	<u>84,262</u>	<u>95,902</u>	<u>5,538</u>	<u>90,364</u>
Other Financing Sources (Uses):					
Transfers In	0	11,000	11,000	13,100	(2,100)
Transfers Out	(11,000)	0	(11,000)	(13,100)	2,100
Total Other Financing Sources (Uses)	<u>(11,000)</u>	<u>11,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	640	95,262	95,902	5,538	90,364
Fund Balance, Beginning	<u>162,647</u>	<u>52,655</u>	<u>215,302</u>	<u>209,764</u>	<u>5,538</u>
Fund Balance, Ending	<u>\$ 163,287</u>	<u>\$ 147,917</u>	<u>\$ 311,204</u>	<u>\$ 215,302</u>	<u>\$ 95,902</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, 2013

NET CHANGE IN FUND BALANCE	\$	95,902
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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.

Expenditures for capital assets, net of depositions	\$	2,732	
Less net current year depreciation		<u>(82,786)</u>	(80,054)

Property taxes in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		508
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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:		(12,547)
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Governmental Funds reports purchases for the books and periodicals collection as expenditures. In the statement of activities, the increase (decrease) in inventory is netted against the expense. The change in the books and periodicals collection for the year is:		<u>5,807</u>
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CHANGE IN NET POSITION	\$	<u><u>9,616</u></u>
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The accompanying notes are an integral part of these financial statements.

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Baker County 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 District is governed by a separately elected five member Board of Directors (Board) who approves the administrative officials. The daily functioning of the District is under the supervision of the Library Director. As required by generally accepted accounting principles, all activities of the 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 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 program revenues for each of its functions/programs. 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) fines for overdue books, magazines, audio and video materials, and other fees, (2) operating grants and contributions and (3) capital grants and contributions. 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.

Net position is reported as restricted when constraints placed on net position 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 District has two major 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 Special Fund - Other Uses 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 the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Measurement Focus and Basis of Accounting

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.

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 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 the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Accounts Receivable

Accounts receivable are mostly comprised of a program expense reimbursement due from a sponsor plus a small reimbursement due from another library district for computer technician services.

Capital Assets

Capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair market value on the date donated. The District defines capital assets as assets with an initial cost of more than \$1,000 and an estimated life in excess of two years. Interest incurred during construction is not capitalized. Maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. 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

The Library Collection is not depreciated. The books and audio materials are recorded at \$1 per unit. The DVD/VHS movies and other video materials are recorded at \$10 per unit. Both of these are intended to represent resale value. The recorded number of units is adjusted to the Library's annual inventory. The periodical collection is recorded at \$20 per unit, which covers the value of the current and back issues that are stored as the periodical collection. The reported amount is derived from the Library's annual inventory, using the number of current subscriptions to represent the collection. The historic photographs and microfilm are considered historical treasures and are not depreciated under guidelines from the Governmental Accounting Standards Board.

Retirement Plans

Substantially all of the District's employees are participants in the State of Oregon Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged to expenditures as funded.

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. In May 2007, the Board adopted the new sick leave policy as stated above, removing the previous sick leave accumulation cap of 250 hours payable to the employee. 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.

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Long-Term Debt

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Position. The District's long-term debt was paid in full during the fiscal year ended June 30, 2011. The District has no outstanding debt at June 30, 2013.

Fund Balances

During the prior year Baker County Library District implemented Statement No 54 of the Governmental Accounting Standards Board (GASB No 54) regarding fund balance reporting. Under GASB No 54 fund balances are classified as non-expendable, restricted, committed, assigned and unassigned according to availability to expend and strength of constraints over expenditures. Non-expendable resources include inventories. Restricted resources are generally restricted by outside parties and include most grants. Unrestricted resources include committed, assigned and unassigned amounts.

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.

Budget

A budget is prepared and legally adopted for each governmental fund on the cash basis of accounting. The budgetary basis of accounting is materially the same as accounting principles generally accepted in the United States of America basis for the governmental fund types (modified accrual), except (1) capital outlay expenditures are budgeted by function in the governmental fund types, (2) the total of obligations under capitalized leases and other long term debt at their inception are not budgeted and (3) minor differences as a result of year end accruals.

The 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 budget is normally 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 the Fiscal Year Ended June 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Budget (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. During the year ended June 30, 2013 various fund budgets were amended due to receipt of unanticipated funds.

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.

Subsequent Events

Subsequent events are events or transactions that occur after the financial statements date, but before financial statements are issued. The 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 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 District has evaluated subsequent events through December 31, 2013, the date that the financial statements were available to be issued; there were no subsequent events to report.

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

2. CASH AND INVESTMENTS

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

Cash and investments are comprised of the following as of June 30, 2013:

Cash in Bank Demand Deposit US Bank - General Checking	\$ 47,380
Cash in Bank Demand Deposit US Bank - Other Uses	67,649
Demand Deposits in Local Government Investment Pool (2 accounts, cost approximates market, interest approximately 0.60% at June 30)	<u>247,291</u>
Total Cash and Investments	\$ 362,320

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 year ended June 30, 2013 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.

A one-time bequest was received from an estate in the amount of \$64,478.

3. RECEIVABLES

Receivables are comprised of the following as of June 30, 2013:

Property Taxes Receivable	\$83,693
USAC E-Rate program, reimbursement due	1,110
Friends of the Library, program support reimbursement	35
Artist Contract Default, supply refund due	<u>2,300</u>
Total	\$87,138

The amount due from USAC E-Rate Program represents reimbursements requested for April, May and June 2013 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 Friends of the Library represents program support for supplies they approved paying for. 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.

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 42,800	\$ -	\$ -	\$ 42,800
Library Collection	247,888	10,058	(4,251)	253,695
Total capital assets not being depreciated	290,688	10,058	(4,251)	296,495
Capital assets being depreciated:				
Buildings and improvements	2,577,859	5,232	(4,000)	2,579,091
Furniture, fixtures and equipment	282,103	4,000	(2,500)	283,603
Vehicles	97,132	-	-	97,132
Total capital assets being depreciated	2,957,094	9,232	(6,500)	2,959,826
Less accumulated depreciation for:				
Buildings and improvements	(786,971)	(64,987)	-	(851,958)
Furniture, fixtures and equipment	(239,687)	(13,008)	-	(252,695)
Vehicles	(55,843)	(4,791)	-	(60,634)
Total accumulated depreciation	(1,082,501)	(82,786)	-	(1,165,287)
Total capital assets being depreciated, net	1,874,593	(73,554)	(6,500)	1,794,539
Total capital assets, net	\$ 2,165,281	\$ (63,496)	\$ (10,751)	\$ 2,091,034

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.

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

4. CAPITAL ASSETS, Continued:

The District operates a branch library in Richland in the Richland School Senior Housing (operated by Northeast Oregon Housing Authority). In 2013, the Pine Eagle School District sold the building to the housing authority that remodeled it for senior apartments. The space used for the library facility continues to be donated to the Library District for operation of the Richland Branch Library.

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 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.

Depreciation expense of \$82,786 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.

5. SHORT-TERM DEBT

During the year, the District borrowed \$86,563 in tax anticipation note at an interest rate of 3.0%. The US Bank loan policy requires a disbursement of the entire amount at the loan date. The purpose of the loan was to pay for District operations until taxes were collected in November. The District only needed \$33,318 to meet the cash flow requirements. The note was repaid prior to June 30, 2013. In the prior year, the District needed \$76,200 to meet the cash flow requirements.

6. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2013 are as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>
General Fund	<u>Special Fund – Other Uses</u>
General Fund	\$1,000
	\$10,000

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

A budgeted transfer of \$10,000 from the General Fund to the Severance Liability Department (Special Fund-Other Uses) was made to accumulate monies for projected retirement packages for employees eligible to retire through 2014. No payouts were required this fiscal year.

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

7. 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.

8. PENSION PLAN

Plan Description

The Baker County Library District contributes to the Oregon Public Employees Retirement System (PERS), a cost-sharing multiple employer defined benefit pension plan. PERS provides retirement and disability benefits, post-employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. As a result of 2003 PERS reform legislation, in addition to the original retirement funds, PERS also administers the Oregon Public Service Retirement Plan (OPSRP), which is also a defined benefit pension plan with a defined contribution plan component referred to as the Individual Account Program (IAP). The original PERS Tier One and Tier Two accounts were closed as of December 31, 2003 to new members and to any further contributions by existing members. PERS members retain their existing PERS accounts. However beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS is administered under Oregon Revised Statute Chapter 238. ORS Chapter 238.630 establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial result that includes financial statements and required supplementary information. That report may be obtained by writing to PERS, P.O. Box 23700, Tigard, OR 97281-3700 or by calling 1-503-598-7377.

BAKER COUNTY LIBRARY DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the Fiscal Year Ended June 30, 2013

8. PENSION PLAN, Continued:

Funding Policy

Members of PERS are required to contribute 6.00% of their salary covered under the plan. The contribution requirements for plan members are established by ORS Chapter 238.200 and may be amended by an act of the Oregon Legislature. The District is required by ORS 238.225 to contribute at an actuarially determined rate that is determined by PERS. The District's contributions to PERS for the years ended June 30, 2013, 2012, and 2011 were approximately \$47,991, \$43,757, and \$27,574, respectively, equal to the required contributions for each year. PERS covered payroll, as a percentage of total payroll was approximately 90%, 91%, and 90%, respectively. The \$16,183 increase in cost in fiscal year ended June 30, 2012 over 2011 was primarily due to employer contribution rate increases.

Net Pension Obligation

The following is a summary of the additional information with respect to the Baker County Library District, required to comply with Governmental Accounting Standards Board Statement Number 27 (GASB 27) "Accounting for Pensions by State and Local Governmental Employers":

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability	Unfunded Actuarial Liability	Funded Ratio	Covered Payroll	UAL/ Payroll
12/31/07	1,902,630	1,917,531	(121,562)	99%	304,159	(29%)
12/31/09	1,664,767	2,150,155	371,661	77%	359,242	103%
12/31/11	1,868,422	2,494,673	516,302	75%	412,825	125%

In evaluations prior to and including December 31, 2003, the Entry Age Normal Cost Method was used. PERS calculated the rate at which each employer would fund its retirement obligations annually. A new pooling method, the Projected Unit Credit Method, was developed and implemented at January 1, 2004 that resulted in common rates for every employer in the pool. Normal cost rates are developed on a pooled basis for each tier and member classification. Under this method, all employers in the pool pay the same Unfunded Actuarial Liability (UAL) rate regardless of when they joined the pool. The Unfunded Actuarial Liability is amortized over 24 years commencing on the December 31, 2003 valuation date and ending on December 31, 2027. In order to implement the new pooling method, the liabilities and assets reported for each employer on the December 31, 2003 actuarial valuation were recalculated. A Fresh Start transition liability or surplus amount was calculated for each employer to ensure that each one entered the pool on a comparable basis.

At the date of implementation for the new method, the District had a UAL surplus of (\$147,042). The District has received a credit ranging from 2.45%-3.19% for the surplus on its monthly PERS contributions each fiscal year. In the data shown above, the credit is absorbed in the UAL liability. For the actuarial valuation December 31, 2011, the District has a UAL of \$626,263 less its surplus of (\$109,961) nets the UAL shown of \$516,302.

The Library District's employer contribution rates for the current two-year period July 1, 2011 through June 30, 2013 for Tier1/Tier2 is 12.33% and for OPSRP General Service is 10.22%. The Actuarial Valuation Report for December 31, 2011 announced significant increases in the employer contribution rates for the upcoming two-year period July 1, 2013 through June 30, 2015 to Tier 1/Tier 2 at 17.60% and OPSRP General Service at 14.84% estimated to cost the District an additional \$19,000 annually. However, the Federal Government voted to decrease the rates by 4.4%; for the District this meant a Tier 1/Tier 2 rate of 13.2% and OPSRP rate of 10.44%; nominal increases over the year just ending.

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2013

10. RISK MANAGEMENT

The 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 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 District over premiums previously paid is presently deemed remote by District management.

11. COMMITMENTS AND CONTINGENCIES

The District is self insured for unemployment claims purposes. Information related to maximum exposure of the District for all terminated employees as of June 30, 2013 is not available. Management believes there are no claims for the fiscal year.

Compensated Absences include Accumulated Vacation Leave and Accumulated Sick Leave that has vested at the fiscal year end is accrued in the Government-wide Statements.

During fiscal year ended June 30, 2013, the District paid no payments for retirement severance packages, which would represent the payoff of accumulated vacation and sick leave.

REQUIRED SUPPLEMENTARY INFORMATION

BAKER COUNTY LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - MAJOR FUND
GENERAL FUND
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Taxes:				
Current Year Taxes	\$ 846,438	\$ 859,000	\$ 850,548	\$ (8,452)
Prior Years' Taxes	35,000	41,500	37,689	(3,811)
Other Tax Revenues	1,200	3,500	1,630	(1,870)
Total Taxes	<u>882,638</u>	<u>904,000</u>	<u>889,867</u>	<u>(14,133)</u>
Intergovernmental Revenues:				
State Resource Sharing	6,000	6,000	5,838	(162)
Fines and Fees:				
Overdue Book Fines and Fees	13,000	18,500	17,238	(1,262)
Grant Revenues	0	0	0	0
Contributions	200	900	150	(750)
Other Revenues	6,500	6,000	6,185	185
Other Revenues - Jobs Plus Program	5,000	5,400	5,361	(39)
Technician Special Contracts	2,700	2,700	1,768	(932)
Interest	9,000	7,750	9,442	1,692
Total Revenues	<u>925,038</u>	<u>951,250</u>	<u>935,849</u>	<u>(15,401)</u>

EXPENDITURES:

Current:

Personal Services:

Library Director	68,014	70,536	71,014	(478)
Administrative Assistant	18,670	18,240	18,248	(8)
Business Manager	20,290	20,100	20,099	1
Clerks	172,102	172,880	172,894	(14)
Cataloger	30,384	29,000	28,699	301
Shelver	15,806	16,204	16,146	58
Bookmobile Drivers	15,275	12,200	12,318	(118)
Technology Manager	44,890	45,249	46,516	(1,267)
Technician Special Contracts	1,700	1,700	658	1,042
Facilities Maintenance	6,101	4,987	5,676	(689)
Vacation Substitutes	7,845	7,540	6,834	706
Branch Clerks	58,850	60,100	59,388	712
Jobs Plus Program	2,076	6,000	4,814	1,186
Severance	0	0	0	0
PERS	47,309	46,050	47,991	(1,941)
Payroll Taxes and Insurance	37,667	39,039	37,384	1,655
Group Health and Life Insurance	78,482	99,930	92,128	7,802
Total Personal Services	<u>625,461</u>	<u>649,755</u>	<u>640,807</u>	<u>8,948</u>

Materials and Services:

Books and Periodicals	84,673	97,600	95,987	1,613
Database Services	11,100	10,165	10,109	56
Building and Grounds Maintenance	27,000	28,900	25,911	2,989

BAKER COUNTY LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - MAJOR FUND (CONTINUED)
GENERAL FUND
For the Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES, CONTINUED:				
Janitorial Contract	10,500	10,320	10,320	0
Janitorial Supplies	2,000	2,000	1,953	47
Equipment Maintenance	3,800	3,800	3,262	538
Computer Maintenance	17,000	17,600	16,219	1,381
Bookmobile Operations	7,500	8,700	7,692	1,008
Insurance	12,450	13,139	13,106	33
Travel and Training	3,000	3,600	2,791	809
Technician Travel - Special Contract	1,000	450	424	26
Election	3,200	6,000	5,989	11
Professional Fees	7,250	7,285	7,280	5
Professional Services	10	0	0	0
Bookkeeping Supplies	900	1,600	1,568	32
Association Dues	2,100	960	958	2
Publication	1,000	1,110	1,104	6
Financial Management Fees	950	775	804	(29)
Legal Administration	200	200	200	0
Public Programs	2,000	425	393	32
Branch Mileage	2,500	3,046	2,544	502
Library Service Supplies	15,000	13,520	12,557	963
Children's Program Supplies	3,900	3,222	2,967	255
Postage	2,400	1,675	1,457	218
Utilities	45,045	44,700	43,945	755
Telecommunications	12,700	13,000	12,910	90
Total Materials and Services	<u>279,178</u>	<u>293,792</u>	<u>282,450</u>	<u>11,342</u>
Debt Service Payments	100	952	952	0
Capital Outlay	100	0	0	0
Operating Contingency	225,000	217,594	0	217,594
Total Expenditures	<u>1,129,839</u>	<u>1,162,093</u>	<u>924,209</u>	<u>237,884</u>
Revenues Over (Under) Expenditures	<u>(204,801)</u>	<u>(210,843)</u>	<u>11,640</u>	<u>222,483</u>
Other Financing Sources (Uses):				
Operating Transfers In	2,060	2,500	0	2,500
Operating Transfers Out	(11,000)	(11,000)	(11,000)	0
Total Other Financing Uses	<u>(8,940)</u>	<u>(8,500)</u>	<u>(11,000)</u>	<u>(2,500)</u>
Revenues Over (Under) Expenditures and Other Financing Uses	<u>(213,741)</u>	<u>(219,343)</u>	<u>640</u>	<u>219,983</u>
Fund Balances, Beginning	<u>213,741</u>	<u>219,343</u>	<u>162,647</u>	<u>(56,696)</u>
Fund Balances, Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 163,287</u>	<u>\$ 163,287</u>

BAKER COUNTY LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - MAJOR FUND
SPECIAL REVENUE FUND - OTHER USES
For the Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:				
Local Sources:				
Grants	\$ 15,000	\$ 15,000	\$ 15,000	\$ 0
Contributions	2,000	400	64,841	64,441
Other Revenues	2,500	2,500	4,806	2,306
Interest	300	300	292	(8)
Total Revenues	<u>19,800</u>	<u>18,200</u>	<u>84,939</u>	<u>66,739</u>
EXPENDITURES:				
Materials and Services:				
Memorial Department	29,300	34,400	598	33,802
Literacy Department	1,000	800	11	789
Technology Department	12,000	7,500	13	7,487
Severance Liability Department	41,000	39,000	55	38,945
Capital Outlay:				
Memorial Department	5,000	5,000	0	5,000
Total Expenditures	<u>88,300</u>	<u>86,700</u>	<u>677</u>	<u>86,023</u>
Revenues Over (Under)				
Expenditures	<u>(68,500)</u>	<u>(68,500)</u>	<u>84,262</u>	<u>152,762</u>
Other Financing Sources:				
Operating Transfers In	11,000	11,000	11,000	0
Operating Transfers Out	<u>(2,500)</u>	<u>(2,500)</u>	<u>0</u>	<u>2,500</u>
Total Other Financing Sources	<u>8,500</u>	<u>8,500</u>	<u>11,000</u>	<u>2,500</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(60,000)	(60,000)	95,262	155,262
Fund Balances, Beginning	<u>60,000</u>	<u>60,000</u>	<u>52,655</u>	<u>(7,345)</u>
Fund Balances, Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 147,917</u>	<u>\$ 147,917</u>

OTHER SUPPLEMENTARY INFORMATION

BAKER COUNTY LIBRARY DISTRICT
 SCHEDULE OF PROPERTY TAX TRANSACTIONS
 For the Fiscal Year Ended June 30, 2013

Tax Year	Taxes Receivable June 30, 2012	Current Levy	Adjustments	Discounts Allowed	Taxes Collected	Taxes Receivable June 30, 2012
2012-13	\$ 0	\$ 913,474	\$ 1,119	\$ (22,291)	\$ 852,215	\$ 40,087
2011-12	41,890	0	(374)	0	16,814	24,702
2010-11	23,791	0	(511)	0	10,286	12,994
2009-10	11,989	0	(601)	0	7,156	4,232
2008-09	4,134	0	(317)	0	3,136	681
2007-08	330	0	(20)	0	141	169
2006-07	249	0	(22)	0	62	165
All Prior Years	802	0	(45)	0	94	663
Total	\$ 83,185	\$ 913,474	\$ (771)	\$ (22,291)	889,904	\$ 83,693

Interest Collections 7,931

Total Collections \$ 897,835

Taxes Receivable by Fund

Tax Year	General Fund
2012-13	\$ 40,087
2011-12	24,702
2010-11	12,994
2009-10	4,232
2008-09	681
2007-08	169
2006-07	165
All Prior Years	663
Total	\$ <u>83,693</u>

Collections by Fund

	General Fund
<u>Current Year Tax Collections:</u>	
Current General Levy	\$ 611,602
Current Local Option Levy	238,983
Other Taxes	1,630
Current Interest	482
Total Current Year	\$ <u>852,697</u>
<u>Prior Years Tax Collections:</u>	
Prior General & Local Option Levy	\$ 37,689
Prior Interest	7,449
Total Prior Years	<u>45,138</u>
Combined Totals	\$ <u>897,835</u>

**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, 2013, and have issued our report thereon dated December 31, 2013. 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 31, 2013.

This report is intended solely for the information and use of the board of directors/council members/commissioners 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 31, 2013