



Baker County Library District

Baker City, Oregon

Financial Statements

As of and for the year ended

June 30, 2017

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, 2017

<u>Board of Directors:</u>		<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	Bob Savage 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
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Registered Agent:

District Attorney	Matt Shirtcliff Baker City, Oregon	Appointed
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Scott A. Martin
Jacob J. Collier

Megan R. Adams
Michael J. Rudi

Randell C. Guyer, Jr.
Kent J. Bailey

David F. Lindley
Linda L. Cyr

Kara J. Bond

November 27, 2017

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, 2017, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Baker County Library District, as of June 30, 2017, 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.

To the Board of Directors
Baker County Library District

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United State of America require that the management's discussion and analysis on pages 4-9 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 management's discussion and analysis 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 and schedules of pension disclosures presented as Required Supplementary Information on pages 31-33, 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.

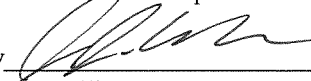
The other supplementary information as listed in the table of contents is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied 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 November 27, 2017, 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.

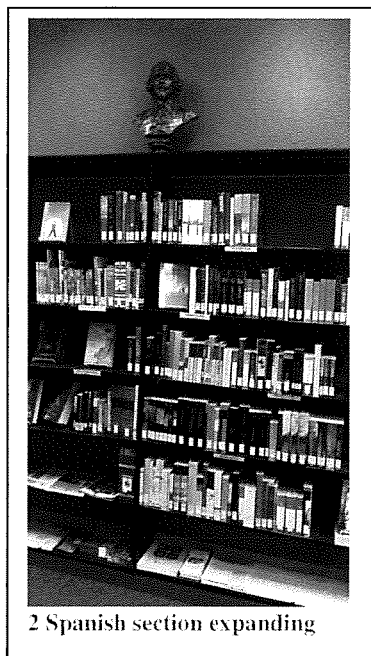
Guyer & Associates
Certified Public Accountants
A Professional Corporation

By 
Jacob Collier
Baker City, Oregon



View from the Baker County Public Library Reading Room looking out over the City Park and Powder River that flows through town, behind the library along the Adler Pathway.

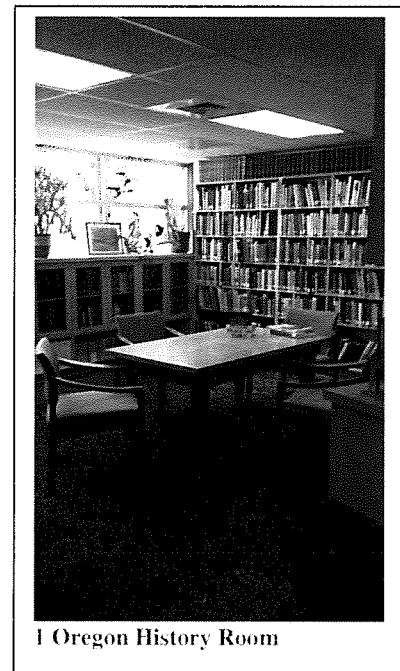
MANAGEMENT'S DISCUSSION AND ANALYSIS



2 Spanish section expanding



3 Model Car Collection on display



1 Oregon History Room

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, 2017. 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 \$1,614,476 (*net position*). The Library District's total net position decreased by (\$74,425) over the prior fiscal year. The decrease primarily consisted of an increase in pension liability adjustments as supplied by PERS related to the GASB 68 required reporting. Combined current assets and capital assets decreased (\$7,308). The total current assets increased by a minor amount of \$61 over the prior fiscal year. While cash increased significantly by \$36,816, other current assets decreased including property taxes (\$12,595) and other receivables (\$22,229) offset with a small increase in prepaid expenses \$1,926. The total capital assets decreased (\$7,369), the net of depreciation expense of (\$82,062) and asset purchases of \$74,693. Building & Improvements decreased (\$13,449) due to depreciation expense exceeding additions. Furniture, fixtures and equipment increased \$7,277 with additions exceeding depreciation. Vehicles decreased by \$1,197 due to depreciation expense.

At the close of the current fiscal year, the Baker County Library District's governmental funds reported combined ending fund balance (*modified accrual*) of \$380,846. The Special Revenue – Other Uses Funds balance of \$161,347 represents funds that are restricted, committed and assigned either by outside parties or management. The General Fund balance of \$219,537 represents funds that are unassigned which is the amount that assets exceed liabilities. The combined ending fund balance at the end of the previous fiscal year was \$368,622. The Special Revenue – Other Uses Fund budget increased during the fiscal year by 12.18% due to the timing of a large grant.

The General Fund contains the only funds available for discretionary spending, with a current balance of \$219,537 in *unassigned fund balance*. This unassigned fund balance shows an increase of \$2,686 in the ending fund balance in the General Fund over the previous fiscal year, which was \$216,851 on the *modified accrual basis*. Combining assets in cash of \$262,425, property taxes receivable of \$73,341, prepaid expenses \$35,455, and other current assets of \$4,082 with liabilities of \$155,766, the General Fund ending fund balance is \$219,537. This represents a decrease in assets of \$5,769 and a decrease in liabilities of \$8,455 over the prior fiscal year. The decrease in assets is primarily due to a decrease in property taxes receivable of \$12,595. The decrease in liabilities was also primarily due to the change in the property taxes receivable (or deferred inflows). The increase in accounts payable of \$11,588 over the prior fiscal year was offset by the decrease in payroll taxes \$10,764, with a small increase in wages payable of \$2,675. This leaves the primary factor for the decrease in liabilities to deferred inflows of property taxes.

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 on the full accrual basis in accordance with Governmental Accounting Standards Board Statement No 68 (GASB 68) (Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No 27).

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 \$1,048,324 in revenues. Revenues from property taxes of \$992,671 represent 89% of total District revenues. The charges for services of \$15,923 (1% 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. Grants, contributions, interest and miscellaneous revenues for the year totaled \$107,487 (10% 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.

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 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 \$1,614,476 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 *unrestricted net assets* may be used to meet the government's ongoing obligations to citizens and creditors. *Net position* shows a negative balance of (\$62,478) for unrestricted net assets and \$24,824 for restricted net assets.

Net Position

	Fiscal Year <u>2015-2016</u>	Fiscal Year <u>2016-2017</u>
Current assets	\$ 536,589	\$ 536,650
Capital assets	1,659,499	1,652,130
Deferred outflows, pensions	<u>91,663</u>	<u>425,520</u>
Total assets and deferred outflows	<u>2,287,751</u>	<u>2,614,300</u>
Current liabilities	144,885	153,341
Net pension liability	342,879	767,274
Long-term liabilities	19,537	17,832
Deferred inflows, pensions	<u>91,549</u>	<u>61,377</u>
Total liabilities and deferred inflow	<u>598,850</u>	<u>999,824</u>
Net Investment in capital assets	1,659,499	1,652,130
Restricted	25,757	24,824
Unrestricted	<u>3,645</u>	<u>(62,478)</u>
Total net position	<u>\$1,688,901</u>	<u>\$1,614,476</u>

The District's current fiscal year net position decreased by (\$74,425) over the prior fiscal year. The decrease was primarily due to liability adjustments for GASB 68 required reporting. There was a small increase in the ending current assets and an increase in current liabilities. The largest contributing factor to the increase in total liabilities and the decrease in total net position was the large increase in net pension liability again this year. The change in net position is reported on page 11 of this report.

The District's Library Service expenses for Fiscal Year 2016-2017 decreased to \$1,190,185, compared to \$1,347,764 for Fiscal Year 2015-2016, a decrease of \$157,579. The majority of this decrease is attributed to changes in pension expense recorded for this fiscal year.

In Fiscal Year 2016-2017, the District also reported an increase in Operating Grants, Reimbursements, and Contributions, reporting \$51,834 compared to \$30,812 in the prior Fiscal Year 2015-2016. This reflects an increase in participation in grant programs received from various state and federal sources.

Property tax revenues increased in Fiscal Year 2016-2017, with the District reporting \$992,671 compared to \$974,686 in the prior Fiscal Year 2015-2016 due to increases in the current levy.

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

Governmental funds. Governmental funds combined fund balance increased by \$12,224. The fund balance of the General Fund increased by \$2,686 while the Other Uses Funds increased by \$10,538. 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. On the modified accrual method, the District has combined unassigned fund balance of \$219,537 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	\$1,100,580	\$1,093,248	\$ (7,332)
Expenditures:			
Personal Services	709,450	701,811	7,639
Materials & Services	324,060	311,047	13,013
Debt Service	2,000	2,000	-
Capital Outlay	71,000	74,404	(3,404)
Contingency	<u>247,770</u>	<u>-</u>	<u>247,770</u>
Total Expenditures	<u>1,354,280</u>	<u>1,089,262</u>	<u>265,018</u>
Revenues Over (Under) Expenditures	(253,700)	3,986	257,686
Other Financing Sources (Uses)	<u>(1,300)</u>	<u>(1,300)</u>	<u>0</u>
Revenues Over (Under) Expenditures And Other Financing Uses	(255,000)	2,686	257,686
Fund Balances, Beginning	<u>255,000</u>	<u>216,851</u>	<u>(38,149)</u>
Fund Balances, Ending	<u>\$ -</u>	<u>\$ 219,537</u>	<u>\$219,537</u>

The Special Revenue - *Other Uses Fund* comprises all other activities of the District. This 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 Library District has a permanent tax rate of 0.5334 plus a local option tax rate of 0.249 that was renewed in May 2016, effective July 1, 2017 through June 30, 2021. The District loses 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 local option levy that voters approved was for operating funds to continue library services at the current service level.

The total budget for operations decreased in the upcoming Fiscal Year 2017-2018 to \$1,318,893 compared to fiscal year 2016-2017 of \$1,365,280 (including adopted changes). The contingency reserve target number of \$200,000 continues to be preserved in the current budget and is intended to achieve the goal of greater fiscal stability.

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

In the Fiscal Year 2017-2018 budget, Personal Services increased 3.6% over Fiscal Year 2016-2017. Public service levels continue to be maintained. The District continued with the same insurance carrier through Special Districts Insurance Services and rates have remained stable compared with the prior fiscal year. The largest cost increase is the pension costs. Materials & Services remained flat with minor increase at 0.01%. Revenues decreased primarily due to decreased grants (discussed below) and tax revenues anticipated to remain flat with a minor increase of 0.01%.

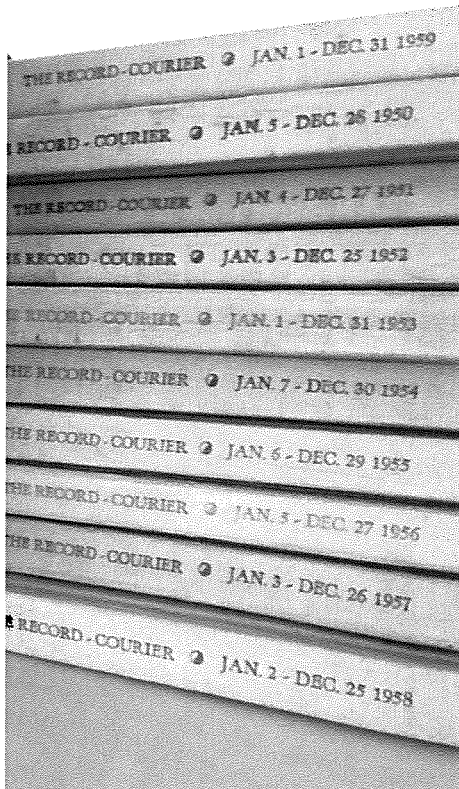
The pension costs will increase in Fiscal Year 2017-2018 as PERS rates increased significantly over the prior fiscal year anticipated to cost the District over \$20,000. The retirement contributions remained stable in Fiscal Year 2016-2017 as rates are on a two-year rotation. The Oregon PERS Tier 1/Tier 2 and OPSRP General Service contribution rates for Fiscal Year 2016-2017 are 15.64% and 10.69%, respectively. The rates effective July 1, 2017 for Fiscal Year 2017-2018 are 21.12% and 13.96%, respectfully.

The operating budget increased in all categories in Fiscal Year 2016-2017 by 12.3% over the prior Fiscal Year 2015-2016. Revenues increased 8.3%. The two largest contributing factors in the revenue increase are Federal program reimbursements for a network system improvement project and an increase in grant activity for a lighting improvement project. Personal services increased by 3.4% remaining consistent with the prior fiscal year. Materials & Services increased slightly by 0.8% over last fiscal year. The book budget continued to hold at a rate of 7.1% of the budget which is below industry standard of 10-15%. The District continues to strive to increase the book budget to 9% in order to achieve the greater goal of keeping the materials fresh and viable to meet current patron demand. Even with budget constraints, the book budget has supported updating and improving two to three genres for the past couple years. The collection is vibrant, attracting patrons and increasing circulation.

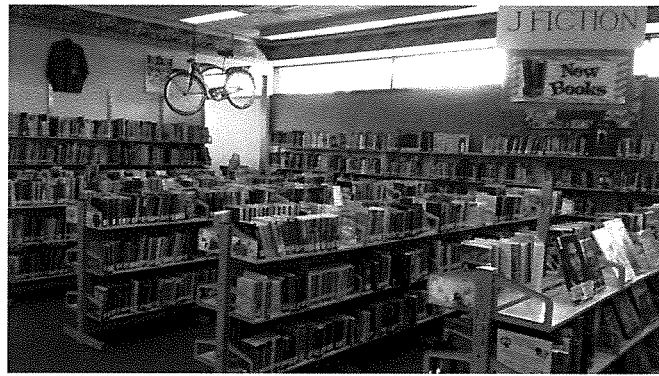
The District Internet and network system was updated in Fiscal Year 2016-2017. Using a Federal program, the District was able to update the network infrastructure increasing the capacity available to patrons. Free wireless Internet access, public computer workstations and other current digital tools are made available at each branch.

The District website offers access to the library collections for patrons and online subscription databases including Library2Go (e-books and audio), Live Homework Help, and Novelist for finding books on topics or authors of interest, to name a few. 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, museum passes, park games, and more recently telescoping snow rakes in response to an unusually harsh winter. All but one of the District's branches has a meeting room available for public use. 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.

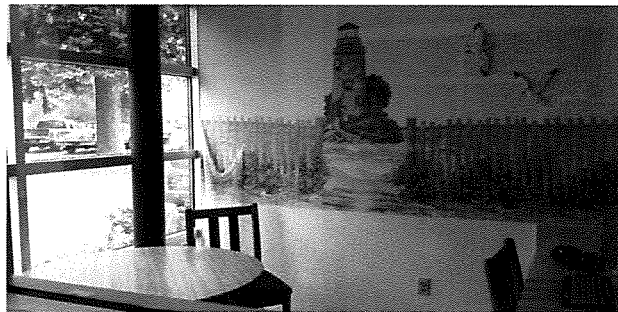
Requests for Information. This financial report is designed to provide a general overview of the Baker County Library District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed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



6 The Record Courier Historic Archives

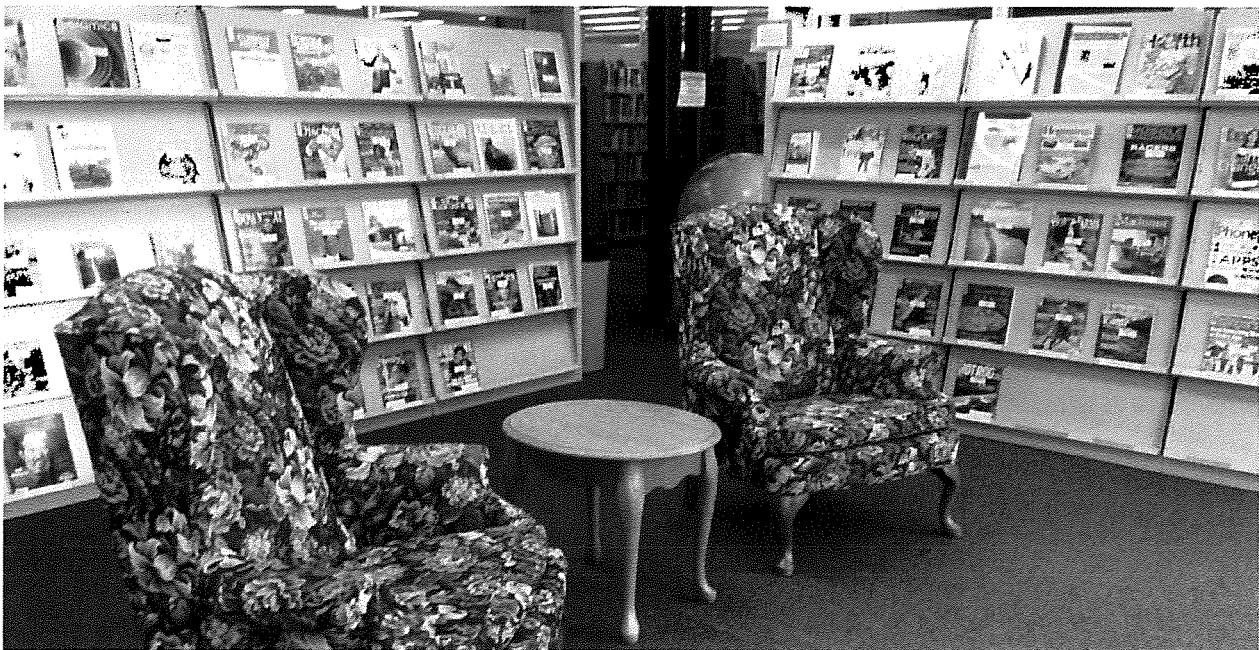


5 Children's Area and Book Collection



4 Private Quiet Rooms Available

BASIC FINANCIAL STATEMENTS



7 Magazine Reading Area

The Baker County Public Library offers a variety of materials and atmosphere for patrons to enjoy.

BAKER COUNTY LIBRARY DISTRICT
STATEMENT OF NET POSITION
June 30, 2017

		<u>Total Governmental Activities</u>
		<u>6/30/2017</u>
ASSETS		
Current Assets:		
Cash and investments		\$ 423,772
Property taxes receivable		73,341
Accounts receivable		2,984
Expense reimbursement receivable		798
Prepaid expenses		35,455
Total current assets		<u>536,350</u>
Net pension asset		<u>0</u>
Capital Assets (net of accumulated depreciation):		
Land		42,800
Buildings and improvements		1,553,922
Furniture, fixtures and equipment		35,278
Vehicles		20,130
Total capital assets		<u>1,652,130</u>
Deferred Outflows of Resources Related to Pensions		<u>425,520</u>
Total assets and deferred outflows		<u>2,614,000</u>
LIABILITIES		
Current Liabilities:		
Accounts payable		22,057
Wages and payroll taxes payable		60,106
Compensated absences payable		69,172
Due to Sage Fund		0
Note payable - current		1,706
Total current liabilities		<u>153,041</u>
Net pension liability		<u>767,274</u>
Note payable - noncurrent		<u>17,832</u>
Deferred Inflows of Resources Related to Pensions		<u>61,377</u>
Total liabilities and deferred inflows		<u>999,524</u>
NET POSITION		
Net investment in capital assets		1,652,130
Restricted		24,824
Unrestricted (Deficit)		(62,478)
Total net position		<u><u>\$ 1,614,476</u></u>

The 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, 2017

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Reimbursements and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					6/30/2017
Governmental Activities:					
Library Services	\$ 1,190,185	\$ 15,923	\$ 58,756	\$ -	\$ (1,115,506)
Interest Expense	321	-	-	-	(321)
Total Governmental Activities	<u>\$ 1,190,506</u>	<u>\$ 15,923</u>	<u>\$ 58,756</u>	<u>\$ -</u>	<u>(1,115,827)</u>
General revenues:					
					992,671
					13,752
					34,979
					<u>1,041,402</u>
					Change in net assets (74,425)
					Net position - beginning <u>1,688,901</u>
					Net position - ending <u>\$ 1,614,476</u>

The notes are an integral part of this financial statement.

BAKER COUNTY LIBRARY DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General Fund	Special Funds - Other Uses Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 262,425	\$ 161,347	\$ 423,772
Accounts Receivable	2,984	0	2,984
Property Taxes Receivable	73,341	0	73,341
Expense Reimbursement Receivable	798	0	798
Prepaid Payroll	35,455	0	35,455
Total Assets	\$ 375,003	\$ 161,347	\$ 536,350
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE			
Liabilities and Deferred Inflows:			
Accounts Payable	\$ 22,019	\$ 38	\$ 22,057
Wages Payable	49,155	0	49,155
Payroll Taxes and Benefits Payable	10,951	0	10,951
Deferred Inflows	73,341	0	73,341
Total Liabilities and Deferred Inflows	155,466	38	155,504
 Fund Balance:			
Restricted Fund Balance	0	24,824	24,824
Committed Fund Balance	0	63,966	63,966
Assigned Fund Balance	0	72,519	72,519
Unassigned Fund Balance	219,537	0	219,537
Total Fund Balance	219,537	161,309	380,846
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 375,003	\$ 161,347	\$ 536,350

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, 2017

TOTAL FUND BALANCES		\$ 380,846
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost		\$ 3,104,758
Accumulated depreciation		<u>(1,452,628)</u>
		1,652,130
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.		
		73,341
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.		
		(69,172)
Long-term debt is reported in the Statement of Net Assets, however is not reported in governmental funds.		
		(19,538)
Certain assets are not current financial resources in the governmental funds, but are reported in the Statement of Net Position:		
Deferred outflows of resources related to pensions		425,520
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:		
Net pension liability		(767,274)
Deferred inflows of resources related to pensions		<u>(61,377)</u>
TOTAL NET POSITION		<u>\$ 1,614,476</u>

The 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, 2017

	<u>General Fund</u>	<u>Special Funds - Other Uses Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	\$ 1,005,266	\$ 0	\$ 1,005,266
Fines and Fees	15,923	0	15,923
Grants	29,966	27,672	57,638
Contributions	307	522	829
Program Reimbursements	20,789	0	20,789
Other Revenues	8,690	5,500	14,190
Interest	12,307	1,445	13,752
Total Revenue	<u>1,093,248</u>	<u>35,139</u>	<u>1,128,387</u>
EXPENDITURES			
Current:			
Library Services	1,012,569	26,901	1,039,470
Debt Service:			
Principal	1,679	0	1,679
Interest	321	0	321
Capital Outlay	74,693		74,693
Total Expenditures	<u>1,089,262</u>	<u>26,901</u>	<u>1,116,163</u>
Excess (Deficit) of Revenues Over Expenditures	<u>3,986</u>	<u>8,238</u>	<u>12,224</u>
Other Financing Sources (Uses):			
Transfers In	9,700	11,000	20,700
Transfers Out	(11,000)	(9,700)	(20,700)
Total Other Financing Sources (Uses)	<u>(1,300)</u>	<u>1,300</u>	<u>0</u>
Net Change in Fund Balance	2,686	9,538	12,224
Fund Balance, Beginning	<u>216,851</u>	<u>151,771</u>	<u>368,622</u>
Fund Balance, Ending	<u>\$ 219,537</u>	<u>\$ 161,309</u>	<u>\$ 380,846</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, 2017

NET CHANGE IN FUND BALANCE \$ 12,224

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 disposition	\$ 74,693	
Less net current year depreciation	<u>(82,062)</u>	(7,369)

Property taxes in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (12,595)

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: (7,998)

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. 1,679

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). (60,366)

CHANGE IN NET POSITION \$ (74,425)

The notes are an integral part of these financial statements.

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2017

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 present 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 is offset by 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.

Governmental Fund Financial Statements

The governmental 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, 2017

Agency Fund Statements

The agency fund statements provide information for a custodial fund that was adopted on 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. The Sage Fund paid the District \$2,560 agency fee and certain other wages and related expenses.

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 when a liability is incurred, regardless of the timing of related cash flows. 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. It is the District's policy to first use restricted resources prior to the use of unrestricted general revenues when an expense is incurred for which there are both restricted and unrestricted assets is available.

The governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual basis of accounting*. Revenues are recognized when both measurable and available. 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 generally are recorded when a 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 July 1 on property values assessed as of January 1. The tax levy is divided into three installments with collection dates of 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. The taxes are considered past due after May 15, at which time the applicable property is subject to penalties and interest.

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, 2017

Accounts Receivable

Accounts receivable are primarily comprised of program expense reimbursements due from a sponsor or grant. Therefore, no allowance for uncollectibles has been established.

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 one year. 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 estimated 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 cost of normal maintenance and repair 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 and are not capitalized. Historic photographs are classified as historic treasures and are not capitalized under guidelines from the Governmental Accounting Standards Board.

Compensated Absences

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. 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 Oregon PERS 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.

Long-Term Obligations

Long-term debt is reported as a liability in the government-wide financial statement of net position. However, in fund financial statements, long-term debt payments are displayed in expenditures as debt service.

Deferred Inflows and Outflows of Resources Related to 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.

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2017

Fund Equity

Government-Wide Financial Statements

Equity is classified as *Net Position* and displayed in the following four components:

- *Net investment in capital assets* – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, or improvements of those assets.
- *Restricted net position* – Consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – All other net position that does not meet the definition of restricted or net investment in capital assets as shown above.
- *Nonexpendable* – Includes permanent endowments and permanent fund principal amounts and is required to be retained in perpetuity.

Governmental Fund Financial Statements

Governmental fund equity is classified in the following categories of fund balance:

- *Non-spendable* – amounts that are not in a spendable form (including inventory) or are required to be retained in perpetuity (such as an endowment). The District did not have funds in this category for the current fiscal year.
- *Restricted* – amounts that are generally restricted by outside parties for a specific purpose (including donors, grantors, or bondholders), through constitutional provisions or by enabling legislation.
- *Committed* – consists of funds formally set aside by the Board of Directors for a particular purpose. This usually occurs by adoption of a resolution. The current committed fund balance is comprised almost entirely of severance liability funds.
- *Assigned* - amounts the District intends to use for a specific purpose. Assignment can be made by the designation of revenue sources to a particular fund, by informal motion of the Board of Directors or by decision of management.
- *Unassigned* – Amounts that are available for any purpose.

Order of Expenditures

When both restricted and unrestricted assets are available, restricted resources would generally 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 the District's 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 financial statements. Actual results could differ from the estimates.

Budgetary Information

An annual budget is prepared and legally adopted for each governmental fund on the *modified accrual basis of accounting* using program categories required by Oregon State Budget Law for Municipal Corporations. Consistent with Oregon law, expenditures are appropriated at the following levels of control: Personal Services, Materials and Services, Capital Outlay, Transfers, Debt Service, and Contingency.

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.

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2017

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.

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 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.

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	\$ 5,442
Cash in Bank Demand Deposit US Bank - Other Uses Funds	5,174
Demand Deposits in Local Government Investment Pool-General Fund	256,983
Demand Deposits in Local Government Investment Pool-Other Uses	
(Total of 2 LGIP accounts, cost approximates market, interest approximately 1.45% at June 30)	<u>156,173</u>
Total Cash and Investments	<u>\$423,772</u>

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

Cash in Bank Demand Deposit US Bank – Sage Fund	<u>\$190,981</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 and is unrated for credit quality. 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, 2017

3. RECEIVABLES

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

Property Taxes Receivable	\$73,341
USAC E-Rate program reimbursements due	2,984
Expense reimbursements due	798
Total	<u>\$77,123</u>

The amount due from USAC E-Rate Program represents reimbursements requested 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.

4. PREPAID EXPENSES

Prepaid Expenses on the Governmental Funds Balance Sheet of \$35,455 represents the amount due for electronic paychecks payable on July 1, the next business day. The General Fund portion of \$31,572 is for paychecks due to library staff. The Sage Fund portion of \$3,883 for Sage Library System staff was reimbursed to the General fund on June 30 and therefore, not included in reimbursements due. 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, 89% of employees have elected to use this 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	2,618,853	61,072	(7,127)	2,672,798
Furniture, fixtures and equipment	292,838	13,621	(14,431)	292,028
Vehicles	97,132	0	0	97,132
Total capital assets being depreciated	3,008,823	74,693	(21,558)	3,061,958
Total capital assets before depreciation	3,051,623			3,104,758
Less accumulated depreciation for:				
Buildings and improvements	(1,051,482)	(74,521)	7,127	(1,118,876)
Furniture, fixtures and equipment	(264,837)	(6,344)	14,431	(256,750)
Vehicles	(75,805)	(1,197)	0	(77,002)
Total accumulated depreciation	(1,392,124)	(82,062)	21,558	(1,452,628)
Total capital assets being depreciated, net	1,659,499	(7,369)	0	1,652,130
Total capital assets, net	\$ 1,659,499	\$ (7,369)	\$ 0	\$ 1,652,130

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2017

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 \$82,062 for the year was charged to the *Library Services* function in the government-wide 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, 2017

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 approximate fair market value of this copier is \$4,000. 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 \$2,690.

7. SHORT-TERM DEBT

The Library District did not require the use of a short-term loan during the fiscal year.

8. LONG-TERM DEBT

The following is a summary of the District's outstanding debt at fiscal year-end:

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 as of May 2017 was 2.16% (the average pool rate of 1.16%).	\$19,537.54
Total Governmental Activity Long-Term Liabilities	<u>\$19,537.54</u>

The following is a summary of the governmental long-term liability *intended* repayment schedule at fiscal year-end:

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

Fiscal Year	Principal	Interest	Total
Year 1 2017-2018	\$1,705.56	\$294.44	\$2,000.00
Year 2 2018-2019	\$1,731.92	\$268.08	\$2,000.00
Year 3 2019-2020	\$1,758.70	\$241.30	\$2,000.00
Year 4 2020-2021	\$1,785.89	\$214.11	\$2,000.00
Year 5 2021-2022	\$1,813.50	\$186.50	\$2,000.00
Years 6-10 2022-2027	\$9,496.77	\$503.23	\$10,000.00
Year 11 2027-2028	\$1,245.20	\$11.65	\$1,256.85
Totals	\$19,537.54	\$1,719.31	\$21,256.85

BAKER COUNTY LIBRARY DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 For Fiscal Year Ended June 30, 2017

9. INTERFUND TRANSFERS

Interfund transfers for the fiscal year are as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>
	Special Fund – Other Uses Fund:
General Fund	\$ 1,000
General Fund	\$10,000
	<u>General Fund:</u>
Other Uses Funds-Memorial Department	\$ 4,000
Other Uses Funds-Election Reserve	\$ 1,500
Other Uses Funds-Technology Department	\$ 4,200

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 \$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.

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.

A budgeted transfer of \$1,500 from Election Reserve funds held in the Memorial Department (Special Revenue – Other Uses) was transferred to General Fund for election expenses incurred in the fiscal year.

A budgeted transfer of \$4,200 from the Technology Department (Special Revenue – Other Uses) was dispersed out of the accumulated funds being held for technology improvements to offset the projects implemented in the fiscal year.

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, 2017

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, selected from several 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. 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.)

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

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2017

Pension Benefits, Continued:

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, 2013 actuarial valuation, effective July 1, 2015 through June 30, 2017. Employer contributions for the year ended June 30, 2017 were \$56,201, excluding amounts to fund employer specific liabilities.

The rates in effect for the fiscal year ended June 30, 2017 were 15.64% for Tier One/Tier Two General Service members and 10.69% 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, 2017

Actuarial Valuations

The employer contribution rates 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, 2014
Measurement date	June 30, 2016
Experience study report	2014, published September 2015
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	2.50 percent
Investment rate of return	7.50 percent
Projected salary increases	3.50 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 2014 Experience Study which reviewed experience for the four-year period ending on December 31, 2014. *For complete list of actuarial assumptions, see the PERS website*.*

Discount Rate

The discount rate used to measure the total pension liability was 7.50 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 7.50% as well as the net pension liability using a discount rate that is 1.0% (6.50%) lower or 1.0% (8.50%) higher than the current rate.

Discount Rate	1% Decrease	Current Rate	1% Increase
Proportionate share of the Net Pension Liability (Asset)	\$1,238,891	\$767,274	\$373,084

BAKER COUNTY LIBRARY DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 For Fiscal Year Ended June 30, 2017

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

At June 30, 2017, the District reported a liability of \$767,274 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to June 30, 2016. The District's proportion of the net pension liability 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, 2016, the District's proportion was 0.00511096 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$60,366. 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
Differences between expected and actual experience	\$25,385	
Changes in assumptions	\$163,641	
Net difference between projected and actual earnings on investments	\$151,581	
Changes in proportionate share	\$3,596	\$46,352
Differences between employer contributions and proportionate share of system contributions	\$15,821	\$15,025
Total (prior to post-Measurement Date MD contributions)	\$360,024	\$61,377
Contributions subsequent to the MD	\$65,496	
Total (after post-MD contributions)	\$425,520	
Net deferred outflows (inflows) of resources		\$364,143

Amounts reported as deferred outflows or inflows of resources related to pensions will be recognized in pension expense as follows:

Subsequent Fiscal Year	Deferred Outflow (Inflow) of Resources
2017	\$116,102
2018	\$50,605
2019	\$106,883
2020	\$80,345
2021	\$10,208
Thereafter	\$0
Total	\$364,143

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

The increase in the pension liability due to is reflected in the current measurement period reported.

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, 2017

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 the date that the financial statements were available to be issued.

The Library District has subsequent events to report related to building damage due to a harsh winter and unusually heavy snow levels earlier this year. The District has filed two insurance claims. One claim for soffit/gutter damage filed 02/07/2017 that recent estimated project repairs to cost \$25,247 and another claim for roof damage that recent estimated project repairs to cost \$73,929, for a total anticipated building repairs of \$99,176. At this time, insurance is anticipated to cover \$19,747 on the soffit repairs and \$10,000 on the roof repairs with the District using emergency funds for repair portion not covered. Once the insurance process has been completed, the District will put out bids for these projects that are anticipated to be delayed until spring of 2018 due to contractor availability and upcoming bad weather.

*REQUIRED
SUPPLEMENTARY
INFORMATION*

BAKER COUNTY LIBRARY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MAJOR FUND
GOVERNMENTAL FUNDS - GENERAL FUND
For Fiscal Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes:				
Current Year Taxes	\$ 962,853	\$ 967,000	\$ 964,477	\$ (2,523)
Prior Years' Taxes	35,000	44,000	38,070	(5,930)
Other Tax Revenues	2,500	4,000	2,719	(1,281)
Total Taxes	1,000,353	1,015,000	1,005,266	(9,734)
Intergovernmental Revenues:				
State Resource Sharing	7,000	7,000	6,922	(78)
Fines and Fees:				
Overdue fines and fees	17,500	17,500	15,923	(1,577)
Fiscal agency fee	2,560	2,560	2,560	0
Grant Revenues	25,000	25,000	23,044	(1,956)
Contributions	1,500	1,500	307	(1,193)
Other Revenues - Misc	0	0	6,130	6,130
Other Revenues - USAC E-Rate Program	22,000	22,000	20,789	(1,211)
Other Revenues - job training programs	10	10	0	(10)
Technology Manager - special contracts	10	10	0	(10)
Interest	10,000	10,000	12,307	2,307
Total Revenues	1,085,933	1,100,580	1,093,248	(7,332)
EXPENDITURES				
Personal Services:				
Library director	73,874	73,874	73,884	(10)
Administrative assistant	18,996	18,996	19,646	(650)
Bookmobile drivers	10,100	9,200	8,506	694
Branch supervisors and clerks	65,783	68,317	67,413	904
Business manager	27,833	28,500	27,820	680
Cataloging specialist	38,465	38,465	38,460	5
Clerks - general	62,687	61,159	55,357	5,802
Collection management and branch lead	31,733	31,733	31,903	(170)
Facilities maintenance	10,413	10,413	11,060	(647)
Office manager and administrative asst	42,411	42,411	42,402	9
Periodicals manager	36,619	36,619	36,628	(9)
Shelving - general	16,506	9,600	10,394	(794)
Technology manager - IT network and system admin	49,094	49,094	49,086	8
Vacation substitutes and special projects	11,869	9,500	9,761	(261)
Youth services	30,127	30,127	30,134	(7)
Severance retirement	0	0	0	0
PERS retirement program	60,835	56,000	56,200	(200)
Payroll taxes and insurance	44,015	41,510	41,427	83
Group health and life insurance	93,932	93,932	91,730	2,202
Total Personal Services	725,292	709,450	701,811	7,639
Materials and Services:				
Collection development (books and periodicals)	94,000	97,000	99,802	(2,802)
Library consortium - Sage membership and expenses	13,050	13,050	12,579	471
Facilities maintenance	33,000	33,200	32,094	1,106
Janitorial contract	12,000	12,000	12,325	(325)
Janitorial supplies	3,250	3,250	2,768	482
Equipment lease	2,600	2,600	2,690	(90)
Computer maintenance	23,000	23,000	18,952	4,048
Bookmobile operations	6,000	6,000	5,271	729
Insurance	20,425	17,275	16,672	603
Travel and training	4,500	5,550	6,019	(469)
Technician travel - special contract, grant	200	200	0	200
Election	3,500	3,500	5,827	(2,327)
Professional fees - audit services	8,200	8,200	8,165	35
Bookkeeping supplies	900	1,200	1,080	120
Dues and subscription	2,750	2,750	2,744	6
Publication	1,600	1,600	1,908	(308)
Financial management fees	1,210	1,410	1,315	95
Legal administration	250	250	0	250
Public programs	2,500	2,500	1,968	532
Branch mileage	3,500	3,600	3,970	(370)
Library service supplies	15,500	15,500	13,672	1,828
Youth and childrens programs	12,400	12,400	6,086	6,314
Postage	1,500	1,500	1,445	55
Utilities	41,210	42,625	40,215	2,410
Telecommunications	14,150	13,900	13,480	420
Total Materials and Services	321,195	324,060	311,047	13,013
Debt Service Payments	2,000	2,000	2,000	0
Capital Outlay	71,000	71,000	74,404	(3,404)
Operating Contingency	200,146	247,770	0	247,770
Total Expenditures	1,319,633	1,354,280	1,089,262	265,018
Revenues Over (Under) Expenditures	(233,700)	(253,700)	3,986	257,686
Other Financing Sources (Uses):				
Operating Transfers In	9,700	9,700	9,700	0
Operating Transfers Out	(11,000)	(11,000)	(11,000)	0
Proceeds from Capital Financing	0	0	0	0
Total Other Financing Uses	(1,300)	(1,300)	(1,300)	0
Revenues Over (Under) Expenditures and Other Financing Uses	(235,000)	(255,000)	2,686	257,686
Fund Balances, Beginning	235,000	255,000	216,851	(38,149)
Fund Balances, Ending	\$ 0	\$ 0	\$ 219,537	\$ 219,537

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

BAKER COUNTY LIBRARY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MAJOR FUND
GOVERNMENTAL FUNDS - OTHER USES FUNDS
For Fiscal Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Local Sources:				
Grants	\$ 10,000	\$ 28,000	\$ 27,672	\$ (328)
Contributions	1,000	1,000	522	(478)
Other Revenues	4,000	7,000	5,500	(1,500)
Interest	750	1,200	1,445	245
Total Revenues	<u>15,750</u>	<u>37,200</u>	<u>35,139</u>	<u>(2,061)</u>
EXPENDITURES:				
Personal Services:				
Wages	0	0	1,476	(1,476)
Payroll taxes and related expense	0	0	146	(146)
Materials and Services:				
Memorial Department	105,050	127,000	25,229	101,771
Literacy Department	500	500	1	499
Technology Department	1,500	1,500	2	1,498
Severance Liability Department	58,500	58,500	47	58,453
Capital Outlay:				
Capital Projects Department	5,000	5,000	0	5,000
Total Expenditures	<u>170,550</u>	<u>192,500</u>	<u>26,901</u>	<u>165,599</u>
Revenues Over (Under) Expenditures	<u>(154,800)</u>	<u>(155,300)</u>	<u>8,238</u>	<u>163,538</u>
Other Financing Sources (Uses):				
Operating Transfers In	11,000	11,000	11,000	0
Operating Transfers Out	(9,700)	(9,700)	(9,700)	0
Total Other Financing Sources	<u>1,300</u>	<u>1,300</u>	<u>1,300</u>	<u>0</u>
Revenues and Other Financial Sources Over (Under) Expenditures and Other Financing Uses	(153,500)	(154,000)	9,538	163,538
Fund Balances, Beginning	<u>153,500</u>	<u>154,000</u>	<u>151,771</u>	<u>(2,229)</u>
Fund Balances, Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 161,309</u>	<u>\$ 161,309</u>

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

BAKER COUNTY LIBRARY DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 For the fiscal year ended June 30, 2017

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30,	(a) Employer's proportion of the net pension liability (NPL)	(b) Employer's proportionate share of the net pension liability (NPL)	(c) District's covered payroll	(b/c) NPL as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.00511096 %	\$ 767,274	\$ 510,586	150.27 %	80.53 %
2016	0.00597198 %	342,879	465,853	73.60 %	91.90 %
2015	0.00570098 %	(129,225)	419,402	(30.81) %	103.60 %
2014	0.00597198 %	290,929	412,408	70.54 %	91.97 %

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

SCHEDULE OF CONTRIBUTIONS

Year	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Employer's covered payroll	Contributions as a percent of covered payroll
2017	\$ 65,496	\$ 65,496	\$ -	\$ 498,720	13.13 %
2016	68,520	68,520	-	510,586	13.42 %
2015	46,457	46,457	-	465,853	9.97 %
2014	47,143	47,143	-	419,402	11.24 %

The amounts presented for each fiscal year were actuarial determined at 12/31 and rolled forward to the measurement date.

These schedules are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

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

*OTHER
SUPPLEMENTARY
INFORMATION*

BAKER COUNTY LIBRARY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
AGENCY FUND - SAGE LIBRARY SYSTEM
For the Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Local Sources:				
Grants	\$ 50,000	\$ 50,000	\$ 47,700	\$ (2,300)
Membership dues	205,000	205,000	203,697	(1,303)
Other revenues	3,000	3,000	1,580	(1,420)
Interest	10	10	0	(10)
Total revenues	<u>258,010</u>	<u>258,010</u>	<u>252,977</u>	<u>(5,033)</u>
EXPENDITURES:				
Personal Services:				
Sage system manager	56,816	56,816	56,823	(7)
Business manager	5,600	5,600	5,114	486
Sage payroll taxes & benefits	23,215	23,215	21,985	1,230
Sub-total Sage fund personal services	<u>85,631</u>	<u>85,631</u>	<u>83,922</u>	<u>1,709</u>
Catalog specialist (grant)	0	0	0	0
Catalog project payroll taxes & benefits	0	0	0	0
Sub-total grant personal services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total personal services	<u>85,631</u>	<u>85,631</u>	<u>83,922</u>	<u>1,709</u>
Materials and Services:				
Audit professional fees	1,500	1,500	0	1,500
Courier services and supplies	83,865	83,865	83,512	353
Catalog grant supplies and expenses	2,500	2,500	206	2,294
Fiscal agency fee	2,558	2,558	2,560	(2)
Dues and subscriptions	3,750	3,750	3,736	14
Legal services	50	50	0	50
Office supplies and miscellaneous	550	550	94	456
Postage	100	100	59	41
Technical services contract	56,100	56,100	45,926	10,174
Technology expense	4,500	4,500	3,233	1,267
Telecommunications	250	250	316	(66)
Training	4,500	4,500	1,369	3,131
Travel	3,000	3,000	2,254	746
Total materials and services	<u>163,223</u>	<u>163,223</u>	<u>143,265</u>	<u>19,958</u>
Capital outlay	21,000	21,000	0	21,000
Operating contingency	11,000	11,000	0	11,000
Total expenditures	<u>280,854</u>	<u>280,854</u>	<u>227,187</u>	<u>53,667</u>
Revenues Over (Under) Expenditures	(22,844)	(22,844)	25,790	48,634
Fund Balances, Beginning	<u>110,000</u>	<u>110,000</u>	<u>153,263</u>	<u>43,263</u>
Fund Balances, Ending	<u>\$ 87,156</u>	<u>\$ 87,156</u>	<u>\$ 179,053</u>	<u>\$ 91,897</u>

BAKER COUNTY LIBRARY DISTRICT
 SCHEDULE OF PROPERTY TAX TRANSACTIONS
 For Fiscal Year Ended June 30, 2017

Tax Year	Taxes Receivable June 30, 2016	Current Levy	Adjustments	Discounts Allowed	Taxes Collected	Taxes Receivable June 30, 2017
2016-17	\$ 0	\$ 1,019,137	\$ 612	(25,905)	\$ 967,740	\$ 28,074
2015-16	34,511	0	112	0	16,265	19,059
2014-15	22,202	0	66	0	10,854	12,626
2013-14	14,808	0	64	0	11,048	5,664
2012-13	8,865	0	72	0	7,825	2,684
2011-12	3,579	0	69	0	175	3,378
2010-11	919	0	38	0	112	799
All Prior Years	<u>1,052</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>1,057</u>
Total	\$ <u>85,936</u>	\$ <u>1,019,137</u>	\$ <u>1,033</u>	\$ <u>(25,905)</u>	1,014,020	\$ <u>73,341</u>
				Interest Collections	(8,753)	
				Total Collections	\$ <u>1,005,267</u>	

	General Fund
<u>Current Year Tax Collections:</u>	
Current General Levy	\$ 710,121
Current Local Option Levy	254,356
Other Taxes	2,720
Current Interest	543
Total Current Year	\$ <u>967,740</u>
<u>Prior Years Tax Collections:</u>	
Prior General & Local Option Levy	\$ 38,070
Prior Interest	8,210
Total Prior Years	<u>46,280</u>
Combined Totals	\$ <u>1,014,020</u>

*AUDIT
COMMENTS
AND DISCLOSURES*

November 27, 2017

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, 2017, and have issued our report thereon dated November 27, 2017. 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
- Local budget law (ORS 294.305-294.565)
- 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, except for three instances. The District reported an over-expenditures of \$3,404 in the General Fund related to Capital Outlay and \$1,622 in the Other Fund related to Personal Services. Additionally, the Other Fund amended budget was adjusted by 12.18% of the original, which requires hearing before the public, publication in the newspaper, and approval by the Board since is it more than a 10% adjustment from the original; these procedures were not followed.

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 November 27, 2017.

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

November 27, 2017