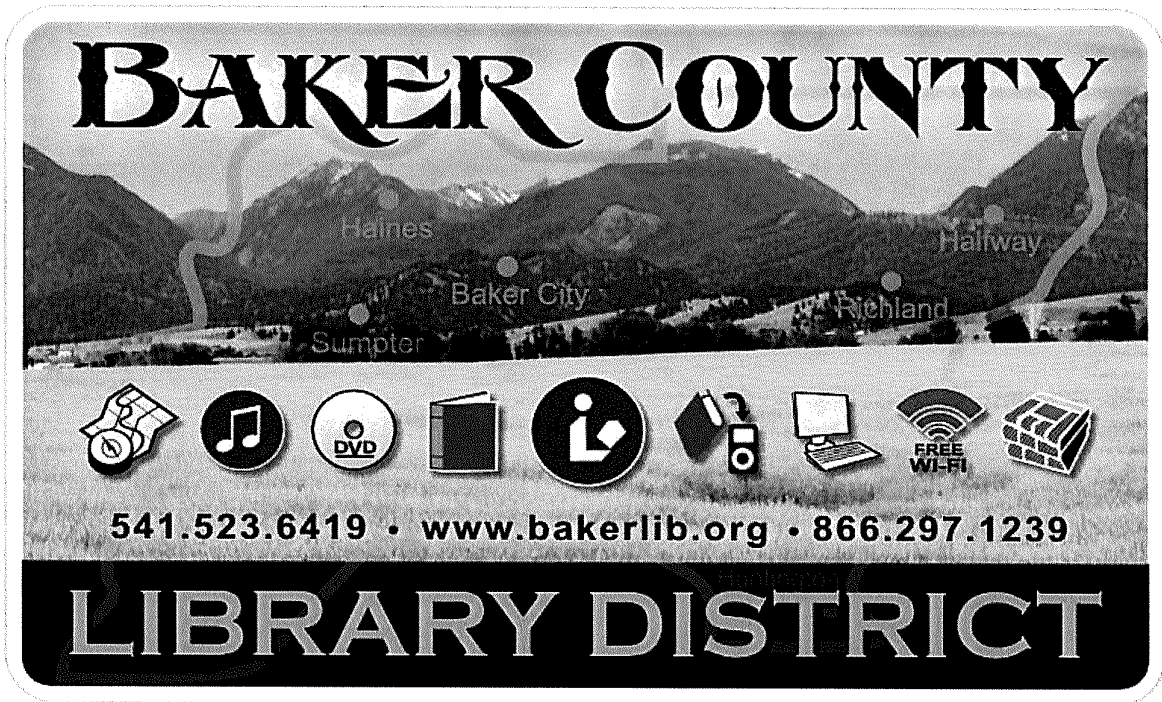


BAKER COUNTY LIBRARY DISTRICT
BAKER CITY, OREGON



FINANCIAL STATEMENTS

As of and for the fiscal year ended June 30, 2016

BAKER COUNTY LIBRARY DISTRICT
TABLE OF CONTENTS
For the Fiscal Year Ended June 30, 2016

Elected Board of Directors	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-9

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balance	14
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds to the Statement of Activities	15
Agency Fund:	
Statement of Fiduciary Net Position	16
Notes to the Financial Statements	
Note 1 – Summary of Significant Accounting Policies	17-21
Note 2 – Cash and Investments	21
Note 3 – Receivables	22
Note 4 – Prepaid Expenses	22
Note 5 – Capital Assets	22-23
Note 6 – Operating Lease	24
Note 7 – Short-Term Debt	24
Note 8 – Long-Term Debt	24
Note 9 – Interfund Transfers	25
Note 10 – State Constitutional Property Tax Limit	25
Note 11 – Pension Plan	26-29
Note 12 – Risk Management	30
Note 13 – Commitments and Contingencies	30

BAKER COUNTY LIBRARY DISTRICT

TABLE OF CONTENTS

For the Fiscal Year Ended June 30, 2016

(Continued)

REQUIRED SUPPLEMENTARY INFORMATION

Governmental Individual Fund Schedules:

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Major Funds

General Fund 31

Special Revenue Funds – Other Uses Fund 32

Oregon Public Retirement System Schedules:

Schedule of the Proportionate Share of the Net Pension Liability 33

Schedule of Contributions 33

OTHER SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – Agency Fund 34

Schedule of Property Tax Transactions 35

**AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE
REGULATIONS:**

Independent Auditor's Report Required by Oregon State Regulations 36-37

BAKER COUNTY LIBRARY DISTRICT
BAKER CITY, OREGON
LIST OF ELECTED BOARD OF DIRECTORS
For Fiscal Year Ended June 30, 2016

Board of Directors:

Term Expiration:

President	Gary Dielman Baker City, Oregon	June 30, 2019
Director	Nellie Forrester Halfway, Oregon	June 30, 2019
Director	Betty Palmer Baker City, Oregon	June 30, 2017
Director	Della Steele North Powder, Oregon	June 30, 2017
Director	Kyra Rohner-Ingram Baker City, Oregon	June 30, 2017

Budget Committee:

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

District Administration:

Library Director and Budget Officer	Perry Stokes Baker City, Oregon	Appointed
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Registered Agent:

District Attorney	Matt Shirtcliff Baker City, Oregon	Appointed
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Scott A. Martin
Megan R. Adams
Robert P. Seymour
Jacob J. Collier
Michael J. Rudi

Randell C. Guyer, Jr.
Kent J. Bailey
David F. Lindley
Linda L. Cyr

January 6, 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, 2016, 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, 2016, 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 the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules 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.

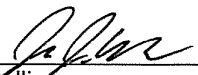
The other supplementary information as listed in the table of contents is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to auditing procedures applied 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 January 6, 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 

Jake Collier
Baker City, Oregon

MANAGEMENT
DISCUSSION
AND
ANALYSIS

Baker County Library District
MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Baker County Library District (Library District) offers readers of the Library District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2016. 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 \$1,688,901 (*net position*). The Library District's total net position decreased by (\$294,784) over the prior fiscal year. The decrease primarily consisted of a reversal in pension adjustments as supplied by PERS related to the GASB 68 required reporting. Combined current assets and capital assets decreased \$54,143. This decrease included a decrease in year-end cash of \$9,036, a decrease in property taxes receivable of \$1,256 and an increase in prepaid expense of \$6,033 over the prior fiscal year. The total capital assets decreased \$55,739, the net of depreciation expense of \$77,291 and asset purchases of \$21,552. Building & Improvements decreased \$53,743 due to depreciation expense. Furniture, fixtures and equipment increased \$3,061 with additions exceeding depreciation. Vehicles decreased by \$5,057 due to depreciation expense. The largest change in assets was a decrease of \$129,225, removing the District's portion of a pension asset related to the implementation of GASB 68 that had been shown in the prior year Statement of Net Position. The financial statement footnotes provides a more detailed explanation.

At the close of the current fiscal year, the Baker County Library District's governmental funds reported combined ending fund balance (*modified accrual*) of \$368,622. The Special Revenue – Other Uses Funds balance of \$151,771 represents funds that are restricted, committed and assigned either by outside parties or management. The General Fund balance of \$216,851 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 \$349,638.

The General Fund contains the only funds available for discretionary spending, with a current balance of \$216,851 in *unassigned fund balance*. This unassigned fund balance shows an increase of \$42,766 in the ending fund balance in the General Fund over the previous fiscal year, which was \$174,085 on the *modified accrual basis*. Combining assets in cash of \$254,366, property taxes receivable of \$85,936, prepaid expenses \$33,529, and other current assets of \$7,241 with liabilities of \$164,221, the General Fund ending fund balance is \$216,851. This represents an increase in assets of \$4,656 and a decrease in liabilities of \$21,134 over the prior fiscal year. The increase in assets is primarily due to an increase in cash of \$16,851. The decrease in liabilities was largely due to the elimination of a non-recurring payable due to the Sage Fund of \$16,976.

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 \$1,053,326 in revenues. Revenues from property taxes of \$974,686 represent 95% of total District revenues. The charges for services of \$16,851 (2% of revenues) are incidental cost-recovery for printing and faxing activities, sale of computer memory devices for in-house use, and fines for overdue materials. There are no charges for borrowing materials unless a person does not return them as agreed. Grants, contributions, interest and miscellaneous revenues for the year totaled \$30,812 (3% of revenues).

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

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

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

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

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

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

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

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

Agency funds are used to account for resources held by the District in a 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 \$1,688,901 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 balance of \$3,645 for unrestricted net assets and \$25,757 for restricted net assets.

Net Position

	Fiscal Year <u>2015-2016</u>	Fiscal Year <u>2014-2015</u>
Current assets	\$ 536,589	\$ 534,993
Net pension asset	-	129,225
Capital assets	1,659,499	1,715,238
Deferred outflows, pensions	<u>91,663</u>	<u>46,457</u>
Total assets and deferred outflows	<u>2,287,751</u>	<u>2,425,913</u>
Current liabilities	144,885	166,721
Net pension liability	342,879	-
Long-term liabilities	19,537	21,646
Deferred inflows, pensions	<u>91,549</u>	<u>235,861</u>
Total liabilities and deferred inflow	<u>598,850</u>	<u>442,228</u>
Net Investment in capital assets	1,659,499	1,715,238
Restricted	25,757	44,826
Unrestricted	<u>3,645</u>	<u>223,621</u>
Total net position	<u>\$1,688,901</u>	<u>\$1,983,685</u>

The District's current fiscal year net position decreased by \$294,784 over the prior fiscal year. The decrease was primarily due to adjustments for GASB 68 required reporting. There was a slight change in the ending cash balance and small decrease in current liabilities. The change in net position is reported on page 11 of this report.

The District's Library Service expenses for Fiscal Year 2015-2016 increased to \$1,347,764, compared to \$851,728 for Fiscal Year 2014-2015, an increase of \$496,036. The majority of this increase (\$430,193) is attributed to changes in pension income (expense). The remaining increases in Library Service expenses primarily reflects increased Personal Services expenditures, due to increased PERS contributions.

In Fiscal Year 2015-2016, the District also reported an increase in Operating Grants, Reimbursements, and Contributions, reporting \$30,812 compared to \$9,320 in the prior Fiscal Year 2014-2015. This reflects an increase in participation in grant programs received from various state and federal sources.

Property tax revenues increased in Fiscal Year 2015-2016, with the District reporting \$974,686 compared to \$929,744 in the prior Fiscal Year 2014-2015 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 \$18,984. The fund balance of the General Fund increased by \$25,790 while the Other Uses Funds decreased by (\$6,806). 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 \$216,851 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	\$1,010,620	\$1,013,402	\$ 2,782
Expenditures:			
Personal Services	706,818	686,252	20,566
Materials & Services	311,160	299,860	11,300
Debt Service	2,000	2,000	-
Capital Outlay	-	-	-
Contingency	<u>234,157</u>	<u>-</u>	<u>234,157</u>
Total Expenditures	<u>1,254,135</u>	<u>988,112</u>	<u>266,023</u>
Revenues Over (Under) Expenditures	(243,515)	25,290	268,805
Other Financing Sources (Uses)	<u>6,000</u>	<u>500</u>	<u>(5,500)</u>
Revenues Over (Under) Expenditures And Other Financing Uses	(237,515)	25,790	263,305
Fund Balances, Beginning	<u>237,515</u>	<u>191,061</u>	<u>(46,454)</u>
Fund Balances, Ending	<u>\$ -</u>	<u>\$216,851</u>	<u>\$216,851</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 2011, effective through June 30, 2017). 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. This local option levy was renewed for another five years in May 2016 effective July 1, 2017.

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

The total budget for operations increased in the upcoming fiscal year 2016-2017 to \$1,330,633 compared to fiscal year 2015-2016 of \$1,257,635 (including adopted changes). The contingency reserve of \$200,000 continues to be preserved in the current budget and is intended to achieve the goal of greater fiscal stability.

In the Fiscal Year 2016-2017 budget, Personal Services increased at 2.6% over Fiscal Year 2015-2016. Public service levels have been maintained with a moderate 2% cost-of-living increase given to current staff. The District continued with the same insurance carrier, Special Districts Insurance Services. Insurance rates have remained stable with SDIS changes implemented in the prior fiscal year.

The largest personal services cost increase projected in the upcoming fiscal year will be for retirement costs. 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 2015-2016 are 15.64% and 10.69%, respectively. However, PERS has scheduled a large increase in contribution rates effective July 1, 2017 projected to cost the District \$18,959 (a 32.4% increase). Materials & Services is budgeted to increase by 3.2% in the coming fiscal year.

The current operating budget remained relatively flat in all categories over the prior Fiscal Year 2014-2015 with the budget increasing in Fiscal Year 2015-2016 by 7.2%. Revenues increased 3.5%. Personal services increased by 12.5% due primarily to the restoration of a vital full-time position. Materials & Services increased slightly by 4.3% over last fiscal year. The book budget continued to hold at a rate of 7.6% of the budget which is slightly 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.

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

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

BASIC
FINANCIAL
STATEMENTS

BAKER COUNTY LIBRARY DISTRICT
STATEMENT OF NET POSITION
June 30, 2016

	Total Governmental Activities
	6/30/2016
ASSETS	
Current Assets:	
Cash and investments	\$ 386,956
Property taxes receivable	85,936
Accounts receivable	25,213
Expense reimbursement receivable	4,505
Payroll advances	450
Prepaid expenses	33,529
Total current assets	536,589
Capital Assets (net of accumulated depreciation):	
Land	42,800
Buildings and improvements	1,567,371
Furniture, fixtures and equipment	28,001
Vehicles	21,327
Total capital assets	1,659,499
Deferred Outflows of Resources Related to Pensions	91,663
Total assets and deferred outflows	2,287,751
LIABILITIES	
Current Liabilities:	
Accounts payable	14,177
Wages and payroll taxes payable	67,854
Compensated absences payable	61,174
Note payable - current	1,680
Total current liabilities	144,885
Net pension liability	342,879
Note payable - noncurrent	19,537
Deferred Inflows of Resources Related to Pensions	91,549
Total liabilities and deferred inflows	598,850
NET POSITION	
Net investment in capital assets	1,659,499
Restricted	25,757
Unrestricted	3,645
Total net position	\$ 1,688,901

The notes are an integral part of these financial statements.

BAKER COUNTY LIBRARY DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	<u>General Fund</u>	<u>Special Funds - Other Uses Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 254,366	\$ 132,590	\$ 386,956
Accounts Receivable	2,286	22,927	25,213
Property Taxes Receivable	85,936	0	85,936
Expense Reimbursement Receivable	4,505	0	4,505
Payroll Advances	450	0	450
Prepaid Payroll	33,529	0	33,529
Total Assets	<u>\$ 381,072</u>	<u>\$ 155,517</u>	<u>\$ 536,589</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE			
Liabilities and Deferred Inflows:			
Accounts Payable	\$ 10,431	\$ 3,746	\$ 14,177
Wages Payable	46,780	0	46,780
Payroll Taxes and Benefits Payable	21,074	0	21,074
Deferred Inflows	85,936	0	85,936
Total Liabilities and Deferred Inflows	<u>164,221</u>	<u>3,746</u>	<u>167,967</u>
Fund Balance:			
Restricted Fund Balance	0	25,757	25,757
Committed Fund Balance	0	54,946	54,946
Assigned Fund Balance	0	71,068	71,068
Unassigned Fund Balance	216,851	0	216,851
Total Fund Balance	<u>216,851</u>	<u>151,771</u>	<u>368,622</u>
Total Liabilities, Deferred Inflows, and Fund Balance	<u>\$ 381,072</u>	<u>\$ 155,517</u>	<u>\$ 536,589</u>

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

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

June 30, 2016

TOTAL FUND BALANCES		\$	368,622
Capital assets are not financial resources and therefore are not reported in the governmental funds:			
Cost		\$	3,051,623
Accumulated depreciation			<u>(1,392,124)</u>
			1,659,499
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.			
			85,936
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.			
			(61,174)
Long-term debt is reported in the Statement of Net Assets, however is not reported in governmental funds.			
			(21,217)
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			91,663
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			(342,879)
Deferred inflows of resources related to pensions			<u>(91,549)</u>
TOTAL NET POSITION		\$	<u><u>1,688,901</u></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, 2016

	<u>General Fund</u>	<u>Special Funds - Other Uses Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Property Taxes	\$ 975,942	\$ 0	\$ 975,942
Intergovernmental	6,773	0	6,773
Fines and Fees	16,851	0	16,851
Grants	0	27,835	27,835
Contributions	1,000	1,977	2,977
Program Reimbursements	4,346	6,562	10,908
Other Revenues	1,040	3,935	4,975
Interest	7,450	871	8,321
Total Revenue	<u>1,013,402</u>	<u>41,180</u>	<u>1,054,582</u>
EXPENDITURES			
Current:			
Library Services	986,112	47,486	1,033,598
Debt Service:			
Principal	1,654	0	1,654
Interest	346	0	346
Total Expenditures:	<u>988,112</u>	<u>47,486</u>	<u>1,035,598</u>
Excess (Deficit) of Revenues Over Expenditures	<u>25,290</u>	<u>(6,306)</u>	<u>18,984</u>
Other Financing Sources (Uses):			
Transfers In	11,500	11,000	22,500
Transfers Out	(11,000)	(11,500)	(22,500)
Total Other Financing Sources (Uses)	<u>500</u>	<u>(500)</u>	<u>0</u>
Net Change in Fund Balance	25,790	(6,806)	18,984
Fund Balance, Beginning	<u>191,061</u>	<u>158,577</u>	<u>349,638</u>
Fund Balance, Ending	<u>\$ 216,851</u>	<u>\$ 151,771</u>	<u>\$ 368,622</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, 2016

NET CHANGE IN FUND BALANCE \$ 18,984

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	\$	21,552	
Less net current year depreciation		<u>(77,291)</u>	(55,739)

Property taxes in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (1,256)

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: 6,159

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. 1,654

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). (264,586)

CHANGE IN NET POSITION \$ (294,784)

The notes are an integral part of these financial statements.

BAKER COUNTY LIBRARY DISTRICT
AGENCY FUND - SAGE LIBRARY SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
 As of June 30, 2016

		<u>Agency Fund</u> <u>Ending Balance</u>
ASSETS		
Cash and Investments	\$	148,803
Receivable Due from Grant		<u>25,997</u>
 Total Assets	 \$	 <u><u>174,800</u></u>
 LIABILITIES		
Accounts Payable	\$	17,032
Accrued Wages and Related Payroll Taxes		4,505
Due to Sage User Council		<u>153,263</u>
 Total Liabilities	 \$	 <u><u>174,800</u></u>

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016

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, 2016

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 administers this regional program, sets its own operating policies and is self-funding. As a fund of the Library District, it adheres to the general policies of the Library District.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded 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, 2016

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, 2016

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.
- *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, 2016

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	\$ 13,584
Cash in Bank Demand Deposit US Bank - Other Uses Funds	2,088
Demand Deposits in Local Government Investment Pool-General Fund	240,782
Demand Deposits in Local Government Investment Pool-Other Uses	
(Total of 2 LGIP accounts, cost approximates market, interest approximately 0.875% at June 30)	<u>130,502</u>
Total Cash and Investments	<u>\$386,956</u>

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

Cash in Bank Demand Deposit US Bank – Sage Fund	<u>\$148,803</u>
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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, 2016

3. RECEIVABLES

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

Property Taxes Receivable	\$85,936
USAC E-Rate program reimbursements due	2,067
Expense reimbursements due	4,724
Other Uses Fund grant reimbursement due	<u>22,927</u>
Total	<u>\$115,654</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. The Special Funds – Other Uses Fund will receive a grant reimbursement for grant expenditures through June 30.

4. PREPAID EXPENSES

Prepaid Expenses on the Governmental Funds Balance Sheet of \$33,529 represents the amount due for electronic paychecks payable on July 1, the next business day. The General Fund portion of \$27,340 is for paychecks due to library staff. The Sage Fund portion of \$6,189 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, 94% 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	<u>42,800</u>			<u>42,800</u>
Capital assets being depreciated:				
Buildings and improvements	2,605,015	13,838		2,618,853
Furniture, fixtures and equipment	291,143	7,714	(6,019)	292,838
Vehicles	<u>97,132</u>	<u>0</u>	<u>0</u>	<u>97,132</u>
Total capital assets being depreciated	<u>2,993,290</u>	<u>21,552</u>	<u>(6,019)</u>	<u>3,008,823</u>
Total capital assets before depreciation	<u>3,036,090</u>			<u>3,051,623</u>
Less accumulated depreciation for:				
Buildings and improvements	(983,901)	(67,581)		(1,051,482)
Furniture, fixtures and equipment	(266,203)	(4,653)	6,019	(264,837)
Vehicles	<u>(70,748)</u>	<u>(5,057)</u>	<u>0</u>	<u>(75,805)</u>
Total accumulated depreciation	<u>(1,320,852)</u>	<u>(77,291)</u>	<u>6,019</u>	<u>(1,392,124)</u>
Total capital assets being depreciated, net	<u>1,672,438</u>	<u>(55,739)</u>	<u>0</u>	<u>1,616,699</u>
Total capital assets, net	\$ <u>1,715,238</u>	\$ <u>(55,739)</u>	\$ <u>0</u>	\$ <u>1,659,499</u>

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016

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 \$77,291 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, 2016

6. OPERATING LEASE

The District has an operating lease agreement with Xerox for a Xerox Workcentre 7830 copier. The Lease Agreement was effective May 1, 2013 and is for 60 months at \$121.34 a month plus the monthly copy charges. The lease agreement provides for a purchase option at the end of the lease to purchase the copier at fair market value. The current fair market value of this copier is \$7,232. Historically, the District initiates a new lease for current equipment at the termination of the lease. Included in the agreement, Xerox provides all consumable supplies to operate the equipment and provides maintenance. The total fiscal year lease expense and copy charges were \$3,078.

7. SHORT-TERM DEBT

The Library District did not require the use of a short-term loan during the fiscal year. The General Fund contingency combined with funds available in the Other Uses Funds were adequate to carry operations until November when the tax revenues are received.

8. LONG-TERM DEBT

The following is a summary of the District's outstanding debt at 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 continues at 1.875% (the pool rate remains at 0.875%).	\$21,217.13
Total Governmental Activity Long-Term Liabilities	<u>\$21,217.13</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 2016-2017	\$1,679.59	\$320.41	\$2,000.00
Year 2 2017-2018	\$1,705.56	\$294.44	\$2,000.00
Year 3 2018-2019	\$1,731.92	\$268.08	\$2,000.00
Year 4 2019-2020	\$1,758.70	\$241.30	\$2,000.00
Year 5 2020-2021	\$1,785.89	\$214.11	\$2,000.00
Years 6-10 2021-2026	\$9,352.20	\$647.80	\$10,000.00
Years 11-12 2026-2028	\$3,203.27	\$53.58	\$3,256.85
Totals	\$21,217.13	\$2,039.72	\$23,256.85

BAKER COUNTY LIBRARY DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 For Fiscal Year Ended June 30, 2016

9. INTERFUND TRANSFERS

Interfund transfers for the fiscal year are as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>
General Fund	Special Fund – Other Uses Fund:
General Fund	\$ 1,000
	\$10,000
	General Fund:
Other Uses Funds-Memorial Department	\$ 4,000
Other Uses Funds-Severance Department	\$ 7,500

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 transfer of \$7,500 was transferred back to fund a retirement.

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

10. STATE CONSTITUTIONAL PROPERTY TAX LIMIT

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

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

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

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016

11. PENSION PLAN

General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

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

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

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

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

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

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

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For Fiscal Year Ended June 30, 2016

2. OPSRP Pension Program (OPSRP DB)

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

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

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

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

3. OPSRP Individual Account Program (OPSRP IAP)

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

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

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

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

Contributions

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

Employer contribution rates during the period were based on the December 31, 2013 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the year ended June 30, 2016 were \$62,364, excluding amounts to fund employer specific liabilities.

The rates in effect for the fiscal year ended June 30, 2016 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, 2016

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, 2013
Measurement date	June 30, 2015
Experience study report	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	2.75 percent
Investment rate of return	7.75 percent
Projected salary increases	3.75 percent overall payroll growth

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 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 7.75 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

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

Discount Rate	1% Decrease	Current Rate	1% Increase
Proportionate share of the Net Pension Liability (Asset)	\$827,526	\$342,879	(\$65,551)

BAKER COUNTY LIBRARY DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 For Fiscal Year Ended June 30, 2016

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

At June 30, 2016, the District reported a liability of \$342,879 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013 rolled forward to June 30, 2015. 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, 2015, the District's proportion was 0.00597198 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$264,586. 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	\$18,490	
Net difference between projected and actual earnings on investments		\$71,875
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$4,653	\$19,674
Total (prior to post-Measurement Date MD contributions)	\$23,143	\$91,549
Contributions subsequent to the MD	\$68,520	
Total (after post-MD contributions)	\$91,663	
Net deferred outflows (inflows) of resources		\$114

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	\$34,837
2018	(\$33,684)
2019	(\$33,684)
2020	\$32,008
2021	\$637
Thereafter	\$0
Total	\$114

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, 2016

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 January 6, 2017, the date that the financial statements were available to be issued. The Library District had no subsequent events to report.

*REQUIRED
SUPPLEMENTARY
INFORMATION*

BAKER COUNTY LIBRARY DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - MAJOR FUND
 GOVERNMENTAL FUNDS - GENERAL FUND
 For Fiscal Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes:				
Current Year Taxes	\$ 929,931	\$ 933,000	\$ 943,059	\$ 10,059
Prior Years' Taxes	40,000	34,700	28,954	(5,746)
Other Tax Revenues	3,500	2,500	3,929	1,429
Total Taxes	973,431	970,200	975,942	5,742
Intergovernmental Revenues:				
State Resource Sharing	7,450	7,000	6,773	(227)
Fines and Fees:				
Overdue fines and fees	17,000	17,000	16,551	(449)
Fiscal agency fee	300	300	300	0
Grant Revenues	0	0	0	0
Contributions	200	1,600	1,000	(600)
Other Revenues - Misc	750	0	1,040	1,040
Other Revenues - USAC E-Rate Program	3,000	4,500	4,346	(154)
Other Revenues - job training programs	50	10	0	(10)
Technology Manager - special contracts	3,200	10	0	(10)
Interest	11,500	10,000	7,450	(2,550)
Total Revenues	1,016,881	1,010,620	1,013,402	2,782
EXPENDITURES				
Personal Services:				
Library director	74,265	73,000	72,436	564
Administrative assistant	19,110	19,000	18,699	301
Bookmobile drivers	14,795	10,277	9,030	1,247
Branch supervisors and clerks	61,226	63,300	62,091	1,209
Business manager	27,553	27,600	27,539	61
Cataloging specialist	35,903	36,000	35,910	90
Children and youth librarian	26,374	22,600	22,929	(329)
Clerks - general	61,108	57,260	51,341	5,919
Collection management and branch lead	31,110	34,500	32,715	1,785
Facilities maintenance	9,723	8,500	7,096	1,404
Job Training Intern	0	0	0	0
Office manager and administrative asst	41,575	41,600	41,570	30
Periodicals manager	31,029	34,000	34,200	(200)
Shelving and volunteer manager	16,175	15,600	14,412	1,188
Technology manager - IT network and system admin	46,169	48,100	48,123	(23)
Technology manager - special contracts	2,800	0	0	0
Vacation substitutes	8,114	9,500	8,654	846
Severance retirement	0	7,500	6,488	1,012
PERS retirement program	59,791	62,000	62,364	(364)
Payroll taxes and insurance	41,608	36,900	37,280	(380)
Group health and life insurance	101,875	99,581	93,375	6,206
Total Personal Services	710,303	706,818	686,252	20,566
Materials and Services:				
Collection development (books and periodicals)	92,500	96,139	95,908	231
Library consortium - Sage membership and expenses	12,250	12,640	12,603	37
Facilities maintenance	33,000	33,759	27,399	6,360
Janitorial contract	11,000	10,320	10,420	(100)
Janitorial supplies	3,000	3,150	2,121	1,029
Equipment lease	2,500	2,500	3,078	(578)
Computer maintenance	22,500	22,700	25,974	(3,274)
Bookmobile operations	8,000	5,050	5,721	(671)
Insurance	16,525	18,175	16,265	1,910
Travel and training	4,500	4,300	2,422	1,878
Technician travel - special contract	1,000	0	0	0
Election	3,500	3,500	0	3,500
Professional fees - audit services	7,800	7,910	7,905	5
Bookkeeping supplies	900	800	855	(55)
Dues and subscription	2,750	2,750	2,856	(106)
Publication	1,600	1,550	1,487	63
Financial management fees	1,075	1,155	1,159	(4)
Legal administration	250	250	250	0
Public programs	2,500	2,350	1,183	1,167
Branch mileage	3,000	3,350	2,964	386
Library service supplies	14,500	18,200	17,440	760
Youth and childrens programs	8,120	6,450	4,599	1,851
Postage	1,800	1,088	1,572	(484)
Utilities	42,665	39,219	42,352	(3,133)
Telecommunications	13,185	13,855	13,327	528
Total Materials and Services	310,420	311,160	299,860	11,300
Debt Service Payments				
Capital Outlay	2,000	2,000	2,000	0
Operating Contingency	100	0	0	0
Total Expenditures	215,704	234,157	0	234,157
Total Expenditures	1,238,527	1,254,135	988,112	266,023
Revenues Over (Under) Expenditures	(221,646)	(243,515)	25,290	268,805
Other Financing Sources (Uses):				
Operating Transfers In	5,500	9,500	11,500	2,000
Operating Transfers Out	(11,000)	(3,500)	(11,000)	(7,500)
Proceeds from Capital Financing	0	0	0	0
Total Other Financing Uses	(5,500)	6,000	500	(5,500)
Revenues Over (Under) Expenditures and Other Financing Uses	(227,146)	(237,515)	25,790	263,305
Fund Balances, Beginning	227,146	237,515	191,061	(46,454)
Fund Balances, Ending	\$ 0	\$ 0	\$ 216,851	\$ 216,851

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, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Local Sources:				
Grants	\$ 10,000	\$ 55,000	\$ 27,835	\$ (27,165)
Contributions	1,000	2,500	1,977	(523)
Program Reimbursements	0	0	6,562	6,562
Other Revenues	5,000	5,000	3,935	(1,065)
Interest	750	750	871	121
Total Revenues	16,750	63,250	41,180	(22,070)
 EXPENDITURES:				
Materials and Services:				
Memorial Department	101,750	148,750	38,065	110,685
Literacy Department	500	500	1	499
Technology Department	9,000	9,500	9,375	125
Severance Liability Department	60,000	48,500	45	48,455
Capital Outlay:				
Capital Projects Department	1,000	10,000	0	10,000
Total Expenditures	172,250	217,250	47,486	169,764
Revenues Over (Under)				
Expenditures	(155,500)	(154,000)	(6,306)	147,694
 Other Financing Sources (Uses):				
Operating Transfers In	11,000	3,500	11,000	7,500
Operating Transfers Out	(5,500)	(8,000)	(11,500)	(3,500)
Total Other Financing Sources	5,500	(4,500)	(500)	4,000
Revenues and Other Financial Sources Over (Under)				
Expenditures and Other Financing Uses	(150,000)	(158,500)	(6,806)	151,694
Fund Balances, Beginning	150,000	158,500	158,577	77
Fund Balances, Ending	\$ 0	\$ 0	\$ 151,771	\$ 151,771

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

BAKER COUNTY LIBRARY DISTRICT, OREGON
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OREGON PUBLIC RETIREMENT SYSTEM
For the Last Three Fiscal Years

<u>Year Ended June 30,</u>	<u>District's proportion of the net pension liability (asset)</u>	<u>District's proportionate share of the net pension liability (asset)</u>	<u>District's covered payroll</u>	<u>District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
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 December 31 and rolled forward to the measurement date.

BAKER COUNTY LIBRARY DISTRICT, OREGON
SCHEDULE OF CONTRIBUTIONS
OREGON PUBLIC RETIREMENT SYSTEM
For the Last Three Fiscal Years

<u>Year Ended June 30,</u>	<u>Statutorily required contribution</u>	<u>Contributions in relation to the statutorily required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>District's covered payroll</u>	<u>Contributions as a percent of covered payroll</u>
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 December 31 and rolled forward to the measurement date.

The notes to the financial statements are an integral part of this 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, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Local Sources:				
Grants	\$ 95,404	\$ 95,404	\$ 95,404	0
Membership dues	197,381	197,381	197,097	(284)
Other revenues	0	0	772	772
Interest	250	250	0	(250)
Total revenues	<u>293,035</u>	<u>293,035</u>	<u>293,273</u>	<u>238</u>
EXPENDITURES:				
Personal Services:				
Sage system manager	55,984	55,984	55,708	276
Business manager	7,300	7,300	5,310	1,990
Sage payroll taxes & benefits	21,756	21,756	21,364	392
Sub-total Sage fund personal services	<u>85,040</u>	<u>85,040</u>	<u>82,382</u>	<u>2,658</u>
Catalog specialist (grant)	30,904	30,904	30,906	(2)
Catalog project payroll taxes & benefits	12,800	12,800	12,835	(35)
Sub-total grant personal services	<u>43,704</u>	<u>43,704</u>	<u>43,741</u>	<u>(37)</u>
Total personal services	<u>128,744</u>	<u>128,744</u>	<u>126,123</u>	<u>2,621</u>
Materials and Services:				
Audit professional fees	1,500	1,500	0	1,500
Courier services and supplies	86,500	86,500	81,689	4,811
Catalog grant supplies and expenses	9,000	9,000	2,181	6,819
Fiscal agency fee	300	300	300	0
Dues and subscriptions	1,100	1,100	1,013	87
Legal services	50	50	0	50
Office supplies and miscellaneous	200	200	586	(386)
Postage	50	50	64	(14)
Technical services contract	51,000	51,000	54,908	(3,908)
Technology expense	4,500	4,500	1,733	2,767
Telecommunications	240	240	260	(20)
Training	4,500	4,500	4,115	385
Travel	2,500	2,500	2,460	40
Total materials and services	<u>161,440</u>	<u>161,440</u>	<u>149,309</u>	<u>12,131</u>
Capital outlay	21,000	21,000	0	21,000
Operating contingency	11,000	11,000	0	11,000
Total expenditures	<u>322,184</u>	<u>322,184</u>	<u>275,432</u>	<u>46,752</u>
Revenues Over (Under) Expenditures	(29,149)	(29,149)	17,841	46,990
Fund Balances, Beginning	<u>114,856</u>	<u>114,856</u>	<u>135,422</u>	<u>20,566</u>
Fund Balances, Ending	<u>\$ 85,707</u>	<u>\$ 85,707</u>	<u>\$ 153,263</u>	<u>\$ 67,556</u>

BAKER COUNTY LIBRARY DISTRICT
SCHEDULE OF PROPERTY TAX TRANSACTIONS
For Fiscal Year Ended June 30, 2016

Tax Year	Taxes Receivable June 30, 2015	Current Levy	Adjustments	Discounts Allowed	Taxes Collected	Taxes Receivable June 30, 2016
2015-16	\$ 0	\$ 1,000,182	\$ 416	(25,180)	\$ 946,987	\$ 34,511
2014-15	44,710	0	1,893	0	17,793	22,202
2013-14	20,386	0	63	0	5,410	14,808
2012-13	13,856	0	62	0	5,601	8,865
2011-12	6,014	0	60	0	0	3,579
2010-11	1,136	0	42	0	151	919
2009-10	184	0	40	0	0	146
All Prior Years	904	0	0	0	0	906
Total	\$ 87,190	\$ 1,000,182	\$ 2,576	\$ (25,180)	975,942	\$ 85,936
				Interest Collections	5,344	
				Total Collections	<u>\$ 981,286</u>	

	General Fund
<u>Current Year Tax Collections:</u>	
Current General Levy	\$ 689,722
Current Local Option Levy	253,337
Other Taxes	3,929
Current Interest	496
Total Current Year	<u>\$ 947,484</u>
<u>Prior Years Tax Collections:</u>	
Prior General & Local Option Levy	\$ 28,954
Prior Interest	4,848
Total Prior Years	<u>33,802</u>
Combined Totals	<u>\$ 981,286</u>

*AUDIT
COMMENTS
AND DISCLOSURES*

**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, 2016, and have issued our report thereon dated January 6, 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.
- 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 over-expenditures in the General Fund Operating Transfers Out of (\$7,500), and in the Other Uses Funds Operating Transfers Out of (\$3,500).

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 January 6, 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

January 6, 2017