

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

**FINANCIAL STATEMENTS
As of and For the Fiscal Year Ended
June 30, 2012**

BAKER COUNTY LIBRARY DISTRICT
TABLE OF CONTENTS
June 30, 2012

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 Assets	10
Statement of Activities	11

Fund Financial Statements:

Governmental Funds:

Balance Sheet	12
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balance	14
Reconciliation of Statement of Revenues, Expenditures and Changes In Fund Balance of Governmental Funds to the Statement of Activities	15

Notes to the Financial Statements	16-26
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REQUIRED SUPPLEMENTARY INFORMATION:

Statement of Revenues, Expenditures and Changes in Fund Balance –

Budget and Actual – Major Funds	
General Fund	27-28
Special Revenue Fund – Other Uses	29
Debt Service Fund	30

OTHER SUPPLEMENTARY INFORMATION:

Schedule of Property Tax Transactions	31
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AUDIT COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS:

Independent Auditor's Report Required by Oregon State Regulations	32-33
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BAKER COUNTY LIBRARY DISTRICT
BAKER CITY, OREGON
LIST OF ELECTED BOARD OF DIRECTORS
For the Fiscal Year Ended June 30, 2012

<u>Board of Directors:</u>		Term <u>Expiration</u>
President	Gary Dielman Baker City, Oregon	June 30, 2014
Director	Nellie Forrester Halfway, Oregon	June 30, 2014
Director	Betty Palmer Baker City, Oregon	June 30, 2013
Director	Della Steele North Powder, Oregon	June 30, 2013
Director	Kyra Rohner-Ingram Baker City, Oregon	June 30, 2013
<u>Budget Committee:</u>		
Member	Nancy Johnson Baker City, Oregon	Appointed
Member	MaryAlys Urey Baker City, Oregon	Appointed
Member	Jim Tomlinson Baker City, Oregon	Appointed
Member	Joy LeaMaster Baker City, Oregon	Appointed
Member	Tom Hudson Baker City, Oregon	Appointed
<u>District Administration:</u>		
Library Director and Budget Officer	Perry Stokes Baker City, Oregon	Appointed
<u>Registered Agent:</u>		
District Attorney	Matt Shirtcliff Baker City, Oregon	Appointed

December 27, 2012

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 of the Baker County Library District, Baker City, Oregon, as of and for the year ended June 30, 2012, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Baker County Library District's management. Our responsibility is to express opinions on these financial statements based on our audit.

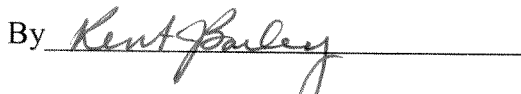
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of Baker County Library District, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United State of America require that the management's discussion and budgetary comparison information on pages 4 through 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 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 are required supplementary information on pages 27 through 30 and have been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in relation to the basic financial statements taken as a whole.

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 as a whole. The other supplementary schedules are presented for purpose of additional analysis and are not a required part of the basic financial statements. This information 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 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 taken as a whole.


Guyer & Associates
Certified Public Accountants
A Professional Corporation

By 
Kent J. Bailey, Principal

MANAGEMENT'S DISCUSSION AND ANALYSIS

Baker County Library District
Management's Discussion and Analysis

The management of the Baker County Library District offers readers of the Baker County Library District's financial statements this narrative overview and analysis of the financial activities of the Baker County Library District for the fiscal year ended June 30, 2012.

Financial Highlights

Assets of the Baker County Library District exceeded its liabilities at the close of the most recent fiscal year by \$2,415,334 (*net assets*). The District's total net assets decreased by \$42,966 primarily due to asset depreciation. Current assets increased \$20,046 due to an increasing contingency fund. The capital assets decreased \$55,447 primarily due to depreciation. The Library collection increased by \$15,589 this year as the District continues its focus on weeding the collection and purchasing new titles. Building & Improvements decreased \$55,766 due to depreciation. Furniture, fixtures and equipment decreased \$4,888 due to depreciation being in excess of new assets. The District removed the last of the Gateway computers acquired through a 2003 grant totaling \$26,550 from the Asset Schedule resulting in a net change of zero as they had been fully depreciated. Most of the District computers have been updated over the past two years. The District did acquire a thermal imaging counter to facilitate more accurate data on the number of Library visitors and a new Early Literacy Station for toddler, pre-school and kindergarten age children to promote literacy readiness.

As of the close of the current fiscal year, the Baker County Library District's governmental funds reported combined ending fund balance (*modified accrual*) of \$215,302, of which \$52,655 is restricted for special funds-other uses. The debt service fund was closed in the prior fiscal year but shows a small unused budget in the current year. The General Fund balance of \$162,647 represents the amount that assets exceed liabilities. The combined ending fund balance at the end of the previous fiscal year was \$209,764.

The General Fund contains the only funds available for discretionary spending, with a current balance of \$162,647 (*unassigned fund balance*). This unassigned fund balance shows an increase of \$4,977 in the ending fund balance in the General Fund over the previous fiscal year, which was \$157,670 on the modified accrual basis. Combining assets in cash of \$219,343, property taxes receivable of \$83,185 and miscellaneous assets of \$2,963 with liabilities of \$142,844, the General Fund ending balance is \$162,647. This represents an increase in assets of \$19,485 and an increase in liabilities of \$14,508 over the last fiscal year. The overall change in liabilities was mostly due to an increase in deferred revenue. In the current fiscal year deferred revenue increased by \$10,925. Other liabilities increased slightly, accounts payable increased by \$1,757 while wages and payroll taxes payable increased by \$1,826. The Baker County Library District's had no debt at the close of the fiscal year.

Overview of the Financial Statements

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

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

The *statement of net assets* presents information on all of the Baker County Library District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

Both of the government-wide financial statements report functions of the Baker County Library District that are principally supported by taxes and intergovernmental revenues and are considered *governmental activities*. These *governmental activities* reported as full accrual numbers on pages 10-11 yielded a total of \$931,445 in revenues, of which \$879,655 (94% of total District revenues) was derived from taxes. The District does not have any fees for service that would be defined as *business activities*, i.e. supporting a service. The charges for services of \$16,249 (2% of total District revenues) are incidental cost-recovery for printing and faxing activities, sale of computer memory devices for in-house use, and fines for overdue materials. Costs do not incur for borrowing materials unless a person does not return them as agreed. Grants and contributions of \$9,050 represent 1% of revenues; interest and miscellaneous revenues of \$26,311 represent the final 3% of District revenues.

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

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

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

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

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

The Baker County Library District adopts an annual appropriated budget for each of its funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with this budget.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-26 of this report.

Information concerning the Baker County Library District's progress in funding its obligation to provide pension benefits to its employees can be found on pages 24-26.

Required supplementary information. This section contains statement of revenues, expenditures and changes in fund balance for each of the three District funds on the modified accrual basis. These statements compare the budget with actual expenditures and are found on pages 27-30.

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

Government-wide financial analysis. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Baker County Library District, assets exceeded liabilities by \$2,415,334 at the close of the fiscal year (*full accrual method*).

The largest portion of the Baker County Library District's net assets reflect its investment in capital assets (land, buildings, vehicles, equipment, library collections), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Baker County Library District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the Baker County Library District's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unassigned net assets* may be used to meet the government's ongoing obligations to citizens and creditors. Net assets show a balance \$197,959 for unassigned net assets and \$52,094 for restricted net assets on the full accrual basis.

Net Assets

	Fiscal Year <u>2010-2011</u>	Fiscal Year <u>2011-2012</u>
Current assets	\$ 338,100	\$ 358,146
Capital assets	<u>2,220,728</u>	<u>2,165,281</u>
Total assets	<u>2,558,728</u>	<u>2,523,427</u>
Current liabilities	100,528	108,093
Long-term liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>100,528</u>	<u>108,093</u>
Invested in capital assets, net of related debt	2,220,728	2,165,281
Restricted	52,094	52,655
Unrestricted	<u>185,478</u>	<u>197,398</u>
Total net assets	<u>\$2,458,300</u>	<u>\$2,415,334</u>

The District's net assets decreased by \$42,966 in the current fiscal year. This decrease represents the net of decrease in capital assets due to depreciation that was greater than the increasing cash reserves. The change in net assets is reported on page 11 of this report.

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

Governmental funds. Governmental funds increased the total fund balance by \$5,358. The fund balance of the General Fund increased by \$4,977 while the Other Uses Funds remained flat. These numbers are given in summary on page 14 and broken down by fund on pages 27-30.

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 a fund balance \$162,647 in the General Fund at fiscal year end. The District budgets its transactions on the cash basis of accounting.

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

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Total Revenues	\$ 924,233	\$916,577	\$ (7,656)
Expenditures:			
Personal Services	612,002	617,197	(5,195)
Materials & Supplies	308,485	284,745	23,740
Debt Service	800	758	42
Capital Outlay	100	0	100
Contingency	205,688	0	205,688
Total Expenditures	<u>1,127,075</u>	<u>902,700</u>	<u>224,375</u>
Revenues Over (Under) Expenditures	(202,842)	13,877	216,719
Other Financing Sources (Uses)	<u>(6,300)</u>	<u>(8,900)</u>	<u>(2,600)</u>
Revenues Over (Under) Expenditures And Other Financing Uses	(209,142)	4,977	214,119
Fund Balances, Beginning	<u>209,142</u>	<u>157,670</u>	<u>(51,472)</u>
Fund Balances, Ending	<u>\$ 0</u>	<u>\$162,647</u>	<u>\$162,647</u>

The *Other Uses Fund* comprises all other activities of the District except the *Debt Service Fund*, which is held separate for repaying the bond from special tax levy. This "*Other Uses Fund*" includes the memorial department, technology department, capital projects department, the literacy coalition funds, and a provision for severance liability.

The Baker County Library District had no outstanding debts at the close of fiscal year ended June 30, 2012.

Economic Factors and Next Year's Budget. The District has a five-year local option tax of 0.249 (that was renewed in May 2011, effective through June 30, 2017) in addition to its permanent rate of 0.5334. The District will lose a small percentage of collections on its permanent rate due to compression by overlapping taxing districts, which share proportionally in the loss of collections where the combined total of authority exceeds \$10 per \$1,000 Total Assessed Value (TAV). In the areas of the District that

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

are already compressed with permanent tax rates, the local option tax may either be partially collectible or not at all.

The total budget for operations remained relatively flat in the next fiscal year increasing slightly \$2,764. The local option levy voters approved was for operating funds to continue library services at the current service level. The contingency reserve goal of \$200,000 was exceeded in the current budget. The District had budgeted to accumulate a reserve over the past 5 years which is now realized. The contingency accumulation is intended to achieve the goal of greater fiscal stability by eliminating the District's annual need for a Tax Anticipation Note loan for operating expenses between the July and November months.

In the budget, Personal Services increased 5.7% over last fiscal year. The largest personal services cost increase was for retirement contributions, increasing by 58.7% over the prior year mostly due to a rate increase. The District gave a modest 1% cost-of-living pay increases and scheduled raises. The District continued to provide the same group health insurance plan as in the prior fiscal year with a slight cost increase of 0.6%. The PERS Tier 1/Tier 2 and OPSRP General Service contribution rates increased this year and are currently 12.33% and 10.22%, respectively. Overall, the District held personnel costs to a 6.9% increase in an effort to maintain current personnel and public service levels. Materials and Services remained relatively flat with an increase of 3.8% over last fiscal year. The book budget held steady at 9% of the budget for a second fiscal year (the standard for the Library industry is 10-15%). The Library District has continued the District-wide purging in its collections over the past two years, replacing antiquated materials with current titles in all genres. The branch collections have been the recent focus as well as expanding the audio books and movie collections to meet increasing demand.

The District continues to improve its services to the public with the goal of maintaining quality service at the current funding level. The Library continues to increase the titles available for downloadable audio books. The website offers access to the library collections for patrons, online subscription databases and added features including local weather and website addresses for areas of local interest. Branch hours continue at the same level. The Library participates in the Sage Library System, a regional library consortium administered through Eastern Oregon University that exponentially expands the number of materials available to patrons. 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 97813.

BASIC FINANCIAL STATEMENTS

BAKER COUNTY LIBRARY DISTRICT
STATEMENT OF NET ASSETS
June 30, 2012

	Total Governmental Activities
ASSETS	
Current Assets:	
Cash and investments	\$ 271,998
Property taxes receivable	83,185
Accounts receivable	2,263
Payroll advances	700
Total current assets	<u>358,146</u>
Capital Assets (net of accumulated depreciation):	
Land	42,800
Buildings and improvements	1,790,888
Furniture, fixtures and equipment	42,416
Vehicles	41,289
Library collection	247,888
Total capital assets	<u>2,165,281</u>
Total assets	<u>2,523,427</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	17,316
Wages and payroll taxes payable	42,343
Compensated absences payable	48,434
Total liabilities	<u>108,093</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,165,281
Restricted for:	
Debt service	0
Special uses	52,655
Unrestricted	197,398
Total net assets	<u>\$ 2,415,334</u>

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

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

BAKER COUNTY LIBRARY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Special Funds - Other Uses Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 219,343	\$ 52,655	\$ 271,998
Property Taxes Receivable	83,185	0	83,185
Account Receivable	2,263	0	2,263
Payroll Advances	700	0	700
Total Assets	<u>\$ 305,491</u>	<u>\$ 52,655</u>	<u>\$ 358,146</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 17,316	\$ 0	\$ 17,316
Wages Payable	37,549	0	37,549
Payroll Taxes and Benefits Payable	4,794	0	4,794
Deferred Revenue	83,185	0	83,185
Total Liabilities	<u>142,844</u>	<u>0</u>	<u>142,844</u>
Fund Balance:			
Restricted for Debt Service	0	0	0
Restricted for Special Uses	0	52,655	52,655
Unassigned, Reported In:			
General Fund	162,647	0	162,647
Total Fund Balance	<u>162,647</u>	<u>52,655</u>	<u>215,302</u>
Total Liabilities and Fund Balance	<u>\$ 305,491</u>	<u>\$ 52,655</u>	<u>\$ 358,146</u>

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

BAKER COUNTY LIBRARY DISTRICT
BAKER CITY, OREGON
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
June 30, 2012

TOTAL FUND BALANCES \$ 215,302

Capital assets are not financial resources and therefore are not reported in the governmental funds:

Cost	\$ 3,247,782	
Accumulated depreciation	<u>(1,082,501)</u>	
		2,165,281

A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current years' operations, and therefore are not reported as revenue in the governmental funds.

83,185

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.

(48,434)

TOTAL NET ASSETS

\$ 2,415,334

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

BAKER COUNTY LIBRARY DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Special Funds - Other Uses Fund	Total Governmental Funds
REVENUES:			
Property Taxes	\$ 868,730	\$ 0	\$ 868,730
Intergovernmental	5,727	0	5,727
Fines and Forfeitures	16,429	0	16,429
Grants	1,000	7,500	8,500
Contributions	200	350	550
Other Revenues	17,415	1,883	19,298
Interest	7,076	223	7,299
Total Revenue	<u>916,577</u>	<u>9,956</u>	<u>926,533</u>
EXPENDITURES:			
Current:			
Library Services	901,942	18,295	920,237
Debt Service:			
Principal	0	0	0
Interest	758	0	758
Total Expenditures:	<u>902,700</u>	<u>18,295</u>	<u>920,995</u>
Excess (Deficit) of Revenues Over Expenditures	<u>13,877</u>	<u>(8,339)</u>	<u>5,538</u>
Other Financing Sources (Uses):			
Transfers In	2,100	11,000	13,100
Transfers Out	(11,000)	(2,100)	(13,100)
Total Other Financing Sources (Uses)	<u>(8,900)</u>	<u>8,900</u>	<u>0</u>
Net Change in Fund Balance	4,977	561	5,538
Fund Balance, Beginning	<u>157,670</u>	<u>52,094</u>	<u>209,764</u>
Fund Balance, Ending	<u>\$ 162,647</u>	<u>\$ 52,655</u>	<u>\$ 215,302</u>

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

BAKER COUNTY LIBRARY DISTRICT
BAKER CITY, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2012

NET CHANGE IN FUND BALANCE		\$ 5,538
Amount reported for governmental activities in the Statement of Activities are different because:		
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	\$ 16,908	
(Less) net current year depreciation	<u>(87,944)</u>	
		(71,036)
Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied.		41,890
Prior year tax levy collections in the current year are reported as current revenues on fund financial statements but are accrued in revenues of the prior period on the statement of activities. These collections in the current year were:		(30,965)
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:		(3,982)
Governmental Funds reports purchases for the books and periodicals collection as expenditures. In the statement of activities, the increase (decrease) in inventory is netted against the expense. The change in the books and periodicals collection for the year is:		15,589
CHANGE IN NET ASSETS		<u>\$ (42,966)</u>

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

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Presentation

Government-wide Financial Statements:

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

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

Separate financial statements are provided for governmental funds.

Net assets are 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 resolutions.

Fund Financial Statements:

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. For the fiscal year ended June 30, 2012, the District has two major funds.

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

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

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Measurement Focus and Basis of Accounting

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

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

Cash, Cash Equivalents and Investments

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

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

Property Taxes Receivable

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

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

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Other Receivables

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

Capital Assets

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

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

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

Retirement Plans

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

Compensated Absences

Most full-time employees have available ten to fifteen days of vacation leave and twelve days of sick leave, annually; either vacation or sick leave may be used as bereavement leave. Unused vacation leave is accumulated with a maximum accumulation of 250 hours; vacation leave vests after one year. Unused sick leave is also accumulated and is available in future years, if extended illness should occur; one-half of accumulated sick leave vests after five years and is payable to the employee upon termination or retirement. For Tier One and Tier Two employees only (those hired prior to January 1, 2004), at retirement, one-half of unused sick leave is added to the total days worked for the purpose of calculating appropriate pension benefits. In May 2007, the Board adopted the new sick leave policy as stated above, removing the previous sick leave accumulation cap of 250 hours payable to the employee. Compensated absences are charged to expense in the fund financial statements when the benefit is paid. The current value of accrued vacation time and sick leave vested at fiscal year end is accrued into the government wide financial statements.

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Long-Term Debt

In the government-wide financial statements long-term debt is reported as a liability in the Statement of Net Assets. The District's long-term debt was paid in full during the fiscal year ended June 30, 2011. The District has no outstanding debt at June 30, 2012.

Fund Balances

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

Order of Expenditures

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

Budget

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

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

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

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

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Budget (Continued)

Supplemental budgets less than 10% of a fund's original budget may be adopted by the Board at a regular meeting. A supplemental budget greater than 10% of a fund's original budget requires hearings before the public, publication in newspapers and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control (major function levels) with Board approval. Appropriations lapse at the end of each fiscal year. The budget may also be modified for unanticipated grants or gifts restricted for special purposes by Board resolution. During the year ended June 30, 2012 various fund budgets were amended due to receipt of unanticipated grant funds.

Use of Estimates

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

Subsequent Events

Subsequent events are events or transactions that occur after the financial statements date, but before financial statements are issued. The District recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the financial statements, including the estimates inherent in the process of preparing the financial statements. The District's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the financial statement but arose after the financial statements date and before the financial statements are available to be issued. The District has evaluated subsequent events through December 21, 2012, the date that the financial statements were available to be issued; there were no subsequent events to report.

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

2. CASH AND INVESTMENTS

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

Cash and investments are comprised of the following as of June 30, 2012:

Cash in Bank Demand Deposit US Bank - General Checking	\$ 3,209
Cash in Bank Demand Deposit US Bank - Other Uses	1,120
Demand Deposits in Local Government Investment Pool (2 accounts, cost approximates market, interest approximately 0.60% at June 30)	267,669
Total Cash and Investments	\$ 271,998

The Local Government Investment Pool (LGIP) is included in the Oregon Short Term Fund (OSTF), which was established by the State Treasurer. OSTF is not subject to SEC regulation. OSTF is subject to requirements established in Oregon Revised Statutes, investment policies adopted by the Oregon Investment Council, and portfolio guidelines established by the Oregon Short Term Fund Board. The investment activity of the District for the year ended June 30, 2012 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.

3. RECEIVABLES

Receivables are comprised of the following as of June 30, 2012:

Property Taxes	\$ 83,185
USAC E-Rate Program reimbursements due	1,339
Computer Technician Contract	924
Total	\$ 85,448

The reimbursements due from the USAC E-Rate Program represent reimbursements requested for April, May and June 2012. This Federal program subsidizes telephone and Internet costs for rural schools and libraries to expand the use of technology in rural areas. The amount due for Computer Technician Contract represents services rendered under contract when the District's Technician provides computer system services to another Library District. The fee covers related wages and travel expenses.

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

4. CAPITAL ASSETS

Capital assets activity for the year was as follows:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 42,800	\$ 0	\$ 0	\$ 42,800
Library Collection	<u>233,099</u>	<u>21,602</u>	<u>(6,813)</u>	<u>247,888</u>
Total capital assets not being depreciated	275,899	21,602	(6,813)	290,688
Capital assets being depreciated:				
Buildings and improvements	2,569,147	8,712	0	2,577,859
Furniture, fixtures and equipment	299,658	8,995	(26,550)	282,103
Vehicles	<u>97,132</u>	<u>0</u>	<u>0</u>	<u>97,132</u>
Total capital assets being depreciated	2,965,937	17,707	(26,550)	2,957,094
Less accumulated depreciation for:				
Buildings and improvements	(722,493)	(64,478)		(786,971)
Furniture, fixtures and equipment	(252,353)	(13,884)	26,550	(239,687)
Vehicles	<u>(46,261)</u>	<u>(9,582)</u>	<u>0</u>	<u>(55,843)</u>
Total accumulated depreciation	<u>(1,021,107)</u>	<u>(87,944)</u>	<u>26,550</u>	<u>(1,082,501)</u>
Total capital assets being depreciated, net	1,944,830	(70,237)	0	1,874,593
Total capital assets, net	\$ <u>2,220,729</u>	\$ <u>(48,635)</u>	\$ <u>(6,813)</u>	\$ <u>2,165,281</u>

The land and building on 2400 Resort Street, which houses the Main Public Library 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.

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

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

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

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

4. CAPITAL ASSETS, Continued:

The District operates a branch library in Richland in the school building. After the school district discontinued the use of this elementary school building, the Library District assumed the cost of the utilities. The space used for the library facility continues to be donated to the Library District for operation of the Richland Branch Library.

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

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

The District has continued the weeding of its collections this fiscal year. The project included weeding branch collections and revitalization of genre areas that were antiquated.

Depreciation expense of **\$87,944** for the year was charged to the "library services" function in the Statement of Governmental Activities. The District capitalizes minor improvements and equipment that exceeds the capitalization threshold. The District includes these expenditures as library materials and services for budgetary and reporting purposes.

5. SHORT-TERM DEBT

During the year, the District borrowed \$105,333 in tax anticipation notes at an interest rate of 2.15% of which only \$76,200 was utilized. US Bank initiated a new loan policy whereby a lump sum one-time loan replaced the line of credit previously utilized by the District. According to the loan officer, the new policy is due to increased costs from bank regulation agencies. The purpose of the loans was to pay for District operations until taxes were collected in November. These notes were all repaid prior to June 30, 2012.

6. INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2012 are as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>
	<u>Special Fund – Other Uses</u>
General Fund	\$1,000
General Fund	\$7,900

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

A budgeted transfer of \$10,000 from the General Fund to the Severance Liability Department (Special Fund-Other Uses) was made in April 2012 to accumulate monies for projected retirement packages for employees eligible to retire through 2014. Earlier in the fiscal year, the District made a transfer from the Severance Liability Department (Special Fund-Other Uses) back to General Fund for a retirement severance package of \$2,100 payable in September 2011. In total, the transfers net to the \$7,900 shown above for the fiscal year.

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

7. STATE CONSTITUTIONAL PROPERTY TAX LIMIT

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

In May 1997 Oregon voters approved an additional state constitutional limit (Measure 50) on assessed values used on the calculation of property taxes for school and non-school government operations. Beginning in fiscal 1997-98 assessed values were rolled back to the lesser of fiscal 1995-96 real market values, less an additional 10% or current real market values. New construction from July 1, 1995 and taxes levied for repayment of debt are not subject to the roll back. Future increases in assessed values of an individual property are limited to a maximum 3% increase independent of new construction. The permanent tax rate for the District set by the State is \$0.5334 per \$1,000 of assessed valuation. The caps imposed by Measure 5 significantly affect the availability of property tax revenues for the District in areas where all local government taxes combined exceed the \$10 limit. In areas that are compressed, the tax rate will yield only its proportionate amount of the \$10.

8. PENSION PLAN

Plan Description

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

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

8. PENSION PLAN, Continued:

Funding Policy

Members of PERS are required to contribute 6.00% of their salary covered under the plan. The contribution requirements for plan members are established by ORS Chapter 238.200 and may be amended by an act of the Oregon Legislature. The District is required by ORS 238.225 to contribute at an actuarially determined rate that is determined by PERS. The District's contributions to PERS for the years ended June 30, 2012, 2011, and 2010 were approximately \$43,757, \$27,574, \$27,657, respectively, equal to the required contributions for each year. PERS covered payroll, as a percentage of total payroll was approximately 91%, 90%, and 89%, respectively. The \$16,183 increase in cost over the prior fiscal year was primarily due to employer contribution rate increases over the prior year.

Net Pension Obligation

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

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

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

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

The Library District's employer contribution rates for the current two-year period July 1, 2011 through June 30, 2013 for Tier1/Tier2 is 12.33% and for OPSRP General Service is 10.22%. The Actuarial Valuation Report for December 31, 2011 announces the employer contribution rates are increasing significantly for the upcoming two-year period July 1, 2013 through June 30, 2015 to Tier 1/Tier 2 at 17.60% (5.27% increase) and OPSRP General Service at 14.84% (4.62% increase). It is estimated that the rate increase will cost an additional \$19,000 in the upcoming fiscal year.

BAKER COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012

10. RISK MANAGEMENT

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

11. COMMITMENTS AND CONTINGENCIES

The District is self insured for unemployment claims purposes. Information related to maximum exposure of the District for all terminated employees as of June 30, 2012 is not available. Management believes there are no claims for the fiscal year.

Accumulated Sick Leave that has vested at the end of the fiscal year is accrued in the Government-wide Statements.

During fiscal year ended June 30, 2012, the District paid a retirement severance package of \$2,102. The amount represents the payoff of accumulated vacation and sick leave.

REQUIRED SUPPLEMENTARY INFORMATION

BAKER COUNTY LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - MAJOR FUND
GENERAL FUND
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Taxes:				
Current Year Taxes	\$ 841,355	\$ 841,355	\$ 835,709	\$ (5,646)
Prior Years' Taxes	32,000	32,000	29,565	(2,435)
Other Tax Revenues	1,500	1,500	3,456	1,956
Total Taxes	874,855	874,855	868,730	(6,125)
Intergovernmental Revenues:				
State Resource Sharing	5,000	5,728	5,727	(1)
Fines and Fees:				
Overdue Book Fines and Fees	12,000	16,250	16,429	179
Grant Revenues	0	1,200	1,000	(200)
Contributions	0	0	200	200
Other Revenues	8,300	7,000	6,780	(220)
Other Revenues - Jobs Plus Program	0	8,200	8,787	587
Technician Special Contracts	4,200	2,000	1,848	(152)
Interest	4,500	9,000	7,076	(1,924)
Total Revenues	908,855	924,233	916,577	(7,656)
EXPENDITURES:				
Current:				
Personal Services:				
Library Director	64,629	65,230	65,274	(44)
Administrative Assistant	18,575	18,100	18,071	29
Business Manager	20,105	20,600	20,176	424
Clerks	148,748	161,551	161,529	22
Cataloger	30,082	30,100	30,107	(7)
Shelver	15,649	16,200	15,921	279
Bookmobile Drivers	14,383	14,600	14,202	398
Technology Manager	41,964	44,500	43,199	1,301
Technician Special Contracts	2,200	1,200	1,283	(83)
Vacation Substitutes	6,165	7,500	7,447	53
Branch Clerks	55,270	60,898	58,889	2,009
Jobs Plus Program	0	9,267	9,071	196
Severance	4,600	2,102	2,102	0
PERS	45,381	40,502	43,757	(3,255)
Payroll Taxes and Insurance	34,299	35,800	36,415	(615)
Group Health and Life Insurance	78,974	83,852	89,754	(5,902)
Total Personal Services	581,024	612,002	617,197	(5,195)
Materials and Services:				
Books and Periodicals	89,250	104,050	95,017	9,033
Database Services	10,600	10,600	10,296	304
Building and Grounds Maintenance	28,000	34,400	30,751	3,649

BAKER COUNTY LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - MAJOR FUND
GENERAL FUND
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES, CONTINUED:				
Janitorial Contract	10,320	10,320	10,320	0
Janitorial Supplies	2,400	1,800	1,993	(193)
Equipment Maintenance	4,000	4,000	3,299	701
Computer Maintenance	14,000	19,615	18,357	1,258
Bookmobile Operations	9,850	7,600	7,576	24
Insurance	11,200	12,425	12,305	120
Travel and Training	2,600	2,750	2,261	489
Technician Contract Travel	2,000	1,000	775	225
Election	0	0	0	0
Professional Fees	7,424	7,100	7,050	50
Bookkeeping Supplies	900	900	802	98
Association Dues	1,400	2,100	2,073	27
Publication	1,000	800	700	100
Financial Management Fees	915	915	485	430
Legal Administration	200	200	200	0
Professional Services	10	10	0	10
PR Events, Programs	1,800	1,500	1,239	261
Miscellaneous	250	0	0	0
Branch Mileage	2,250	2,400	2,691	(291)
Library Service Supplies	15,000	19,000	17,548	1,452
Children's Program Supplies	1,750	2,400	1,637	763
Postage	2,500	2,300	1,998	302
Utilities	48,510	46,080	42,316	3,764
Telecommunications	12,450	14,220	13,056	1,164
Total Materials and Supplies	280,579	308,485	284,745	23,740
Debt Service Payments	100	800	758	42
Capital Outlay	100	100	0	100
Operating Contingency	224,485	205,688	0	205,688
Total Expenditures	1,086,288	1,127,075	902,700	224,375
Revenues Over (Under) Expenditures	(177,433)	(202,842)	13,877	216,719
Other Financing Sources (Uses):				
Operating Transfers In	4,700	4,700	2,100	2,600
Operating Transfers Out	(11,000)	(11,000)	(11,000)	0
Total Other Financing Uses	(6,300)	(6,300)	(8,900)	(2,600)
Revenues Over (Under) Expenditures and Other Financing Uses	(183,733)	(209,142)	4,977	214,119
Fund Balances, Beginning	183,733	209,142	157,670	(51,472)
Fund Balances, Ending	\$ 0	\$ 0	\$ 162,647	\$ 162,647

BAKER COUNTY LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - MAJOR FUND
SPECIAL REVENUE FUND - OTHER USES
For the Year Ended June 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Local Sources:				
Grants	\$ 15,000	\$ 15,000	\$ 7,500	\$ (7,500)
Contributions	1,000	1,000	350	(650)
Other Revenues	1,500	1,500	1,883	383
Interest	500	500	223	(277)
Total Revenues	<u>18,000</u>	<u>18,000</u>	<u>9,956</u>	<u>(8,044)</u>
EXPENDITURES:				
Materials and Services:				
Memorial Department	22,800	22,800	18,219	4,581
Literacy Department	1,000	1,000	3	997
Technology Department	7,500	7,500	11	7,489
Severance Liability Department	20,000	20,000	62	19,938
Capital Outlay:				
Memorial Department	100	100	0	100
Total Expenditures	<u>51,400</u>	<u>51,400</u>	<u>18,295</u>	<u>33,105</u>
Revenues Over (Under) Expenditures	<u>(33,400)</u>	<u>(33,400)</u>	<u>(8,339)</u>	<u>25,061</u>
Other Financing Sources:				
Operating Transfers In	11,000	11,000	11,000	0
Operating Transfers Out	<u>(4,600)</u>	<u>(4,600)</u>	<u>(2,100)</u>	<u>2,500</u>
Total Other Financing Sources	<u>6,400</u>	<u>6,400</u>	<u>8,900</u>	<u>2,500</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(27,000)</u>	<u>(27,000)</u>	<u>561</u>	<u>27,561</u>
Fund Balances, Beginning	<u>27,000</u>	<u>27,000</u>	<u>52,094</u>	<u>25,094</u>
Fund Balances, Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 52,655</u>	<u>\$ 52,655</u>

BAKER COUNTY LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - MAJOR FUND
DEBT SERVICE FUND
For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
Taxes:				
Current Year Taxes	\$ 0	\$ 0	\$ 0	0
Other Tax Revenues	50	50	0	(50)
Total Tax Revenues	50	50	0	(50)
Interest	50	50	0	(50)
Total Revenues	100	100	0	(100)
EXPENDITURES:				
Current:				
Debt Service Payments	200	200	0	200
Total Expenditures	200	200	0	200
Revenues Over (Under) Expenditures	(100)	(100)	0	(100)
Revenues Over (Under) Expenditures	(100)	(100)	0	100
Fund Balances, Beginning	100	100	0	(100)
Fund Balances, Ending	\$ 0	\$ 0	\$ 0	0

OTHER SUPPLEMENTARY INFORMATION

BAKER COUNTY LIBRARY DISTRICT
SCHEDULE OF PROPERTY TAX TRANSACTIONS
For the Fiscal Year Ended June 30, 2012

Tax Year	Taxes Receivable June 30, 2011	Current Levy	Adjustments	Discounts Allowed	Taxes Collected	Taxes Receivable June 30, 2012
2011-12	\$ 0	\$ 899,695	\$ 393	\$ (20,328)	\$ 839,187	\$ 41,890
2010-11	40,855	0	29	0	17,943	23,791
2009-10	17,930	0	26	0	4,584	11,989
2008-09	9,733	0	21	0	4,444	4,134
2007-08	2,500	0	18	0	2,470	330
2006-07	342	0	21	0	62	249
2005-06	302	0	19	0	31	248
All Prior Years	598	0	0	0	32	554
Total	\$ <u>72,260</u>	\$ <u>899,695</u>	\$ <u>527</u>	\$ <u>(20,328)</u>	\$ 868,753	\$ <u>83,185</u>

Interest Collections

5,647

Total Collections

\$ 874,400

Tax Year	Taxes Receivable by Fund	
	General Fund	Debt Service
2011-12	\$ 41,890	\$ 0
2010-11	23,791	0
2009-10	11,989	0
2008-09	4,134	0
2007-08	330	0
2006-07	249	0
2005-06	248	0
All Prior Years	554	0
Total	\$ <u>83,185</u>	\$ <u>0</u>

	Collections by Fund		
	Total	General Fund	Debt Service
<u>Current Year Tax Collections:</u>			
Current General Levy	\$ 592,648	\$ 592,648	\$ 0
Current Local Option Levy	243,061	243,061	0
Other Taxes	3,478	3,478	0
Current Interest	471	471	0
Total Current Year	\$ <u>839,658</u>	\$ <u>839,658</u>	\$ <u>0</u>
<u>Prior Years Tax Collections:</u>			
Prior General & Local Option Levy	\$ 29,566	\$ 29,522	\$ 44
Prior Interest	5,176	5,176	0
Total Prior Years	<u>34,742</u>	<u>34,698</u>	<u>44</u>
Combined Totals	\$ <u>874,400</u>	\$ <u>874,356</u>	\$ <u>44</u>

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

We have audited the basic financial statements of the Baker County Library District as of and for the year ended June 30, 2012, and have issued our report thereon dated December 27, 2012. We conducted our audit in accordance with government 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:

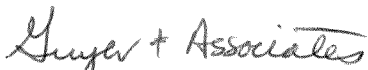
- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294.900).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment 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 the actual personal service expenditures exceeded the revised budget by \$5,195.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered Baker County Library District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Baker County Library District internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Baker County Library District internal control over financial reporting. We have included our comments on internal control in a separate letter to the board of Directors dated December 27, 2012.

This report is intended solely for the information and use of the board of directors/council members/commissioners and management of Baker County Library District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.


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

December 27, 2012