

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

**FINANCIAL STATEMENTS  
As of and For the Fiscal Year Ended  
June 30, 2011**

**GUYER & ASSOCIATES**

CERTIFIED PUBLIC ACCOUNTANTS

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BAKER COUNTY LIBRARY DISTRICT  
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June 30, 2011

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BAKER COUNTY LIBRARY DISTRICT  
BAKER CITY, OREGON  
LIST OF ELECTED BOARD OF DIRECTORS  
For the Fiscal Year Ended June 30, 2011

<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	Dan Burton Baker City, Oregon	Appointed
Member	MaryAlys Urey Baker City, Oregon	Appointed
Member	Joan Jacobs Baker City, Oregon	Appointed
Member	Nancy Johnson Baker City, Oregon	Appointed
Member	Jim Tomlinson 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

# *Guyer & Associates*

*Certified Public Accountants  
A Professional Corporation*

*Randell C. Guyer, Jr.  
Kent J. Bailey  
Robert M. Burgess  
Megan R. Adams*

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Jacob J. Collier*

December 20, 2011

## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, and the Baker County Library District, Baker City, Oregon, as of and for the year ended June 30, 2011, 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, 2011, 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 States of America require that the management's discussion and analysis 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.

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 as a whole on the basis of accounting described in Note 1.

  
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, 2011.

### **Financial Highlights**

Assets of the Baker County Library District exceeded its liabilities at the close of the most recent fiscal year by \$2,458,300 (*net assets*). The District's total net assets decreased by \$20,530 primarily due to asset depreciation. Current assets increased \$33,408 due to an increasing contingency fund. The capital assets decreased \$58,044 primarily due to depreciation. The Library collection increased by \$17,164 this year as the District continues its focus on weeding the collection and purchasing new titles. Building & improvements decreased \$64,372 due to depreciation. Furniture, fixtures and equipment decreased slightly primarily due to depreciation. However, the District did replace (and recycle) several outdated computers that had been given to the District through a grant in 2003; computers totaling \$43,397 were removed from the Asset Schedule resulting in a net change of zero as they had been fully depreciated. The District did acquire a few assets having purchased a security camera system for one of its branch locations and received donations of two poly com units that were both installed at branch locations.

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 \$209,764, of which \$52,094 is restricted for special funds-other uses. The debt service fund was closed during the fiscal year after having made the final debt payment. The General Fund balance of \$157,670 represents the amount that assets exceed liabilities. The combined ending fund balance at the end of the previous fiscal year was \$172,034.

The General Fund contains the only funds available for discretionary spending, with a current balance of \$157,670 (*unassigned fund balance*). This unassigned fund balance shows an increase of \$31,937 in the ending fund balance in the General Fund over the previous fiscal year, which was \$125,733 on the modified accrual basis. Combining assets in cash of \$209,008, property taxes receivable of \$72,260 and miscellaneous assets of \$4,738 with liabilities of \$128,336, the General Fund ending balance is \$157,670. This represents an increase in assets of \$28,721 and a decrease in liabilities of \$3,216 over the last fiscal year. The overall change in liabilities was again inconsequential. In the current fiscal year deferred revenue increased by a slight \$55. Accounts payable decreased by \$5,551 while wages and payroll taxes payable increased by \$2,390. The Baker County Library District's total debt decreased by \$7,485 consisting of principal payments on the commercial loan which was paid in full August 2010.



## 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 \$933,382 in revenues, of which \$861,929 (92% 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 \$13,987 (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 \$23,803 represent 2.5% of revenues; interest and miscellaneous revenues of \$33,663 represent the final 3.5% 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 three 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.

**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 \$2,458,300 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 (\$52,094) 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. The unassigned net assets show a balance of \$185,478 on the full accrual basis.

#### Net Assets

	Fiscal Year <u>2010-2011</u>	Fiscal Year <u>2009-2010</u>
Current assets	\$ 338,100	\$ 304,692
Capital assets	<u>2,220,728</u>	<u>2,278,772</u>
Total assets	<u>2,558,728</u>	<u>2,583,464</u>
Current liabilities	100,528	101,996
Long-term liabilities	<u>-</u>	<u>2,638</u>
Total liabilities	<u>100,528</u>	<u>104,634</u>
Invested in capital assets, net of related debt	2,220,728	2,271,287
Restricted	52,094	46,301
Unrestricted	<u>185,478</u>	<u>161,242</u>
Total net assets	<u>\$2,458,300</u>	<u>\$2,478,830</u>

The District's net assets decreased by \$20,530 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.

**Governmental funds.** Governmental funds increased the total fund balance by \$37,730. The fund balance of the General Fund increased by \$31,937, the Other Uses Funds increased by \$6,112 and the Debt Service Fund decreased by (\$319). These numbers are given in summary on page 14 and broken down by fund on pages 27-30 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 a fund balance \$157,670 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	\$ 913,571	\$914,714	\$ 1,143
Expenditures:			
Personal Services	579,194	572,566	6,628
Materials & Supplies	333,731	295,531	38,200
Debt Service	8,000	7,980	20
Capital Outlay	100	0	100
Contingency	<u>165,000</u>	<u>0</u>	<u>165,000</u>
Total Expenditures	<u>1,086,025</u>	<u>876,077</u>	<u>209,948</u>
Revenues Over (Under) Expenditures	(172,454)	38,637	211,091
Other Financing Sources (Uses)	<u>(6,700)</u>	<u>(6,700)</u>	<u>(0)</u>
Revenues Over (Under) Expenditures And Other Financing Uses	(179,154)	31,937	211,091
Fund Balances, Beginning	<u>179,154</u>	<u>125,733</u>	<u>(53,421)</u>
Fund Balances, Ending	<u>\$ 0</u>	<u>\$157,670</u>	<u>\$157,670</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, 2011.

**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

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

total of authority exceeds \$10 per \$1,000 Total Assessed Value (TAV). In the areas of the District that are already compressed with permanent tax rates, the local option tax may either be partially collectible or not at all.

The total budget for operations remains relatively flat for next fiscal year with a minor increase of \$4,563 in the budget. The local option levy voters approved was for operating funds to continue library services at the current service level. The contingency reserve is scheduled to be fully funded at \$200,000 at the end of next fiscal year ending June 30, 2012; it is currently 80% funded. 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 slightly less than 4.5% over last fiscal year. The District continued to provide the same group health insurance plan as in the prior fiscal year with the cost also increasing at 4.5%. The PERS Tier 1/Tier 2 and OPSRP General Service contribution rates continued at the same rate as the previous year and are currently 7.08% and 7.52%, respectively. The District trimmed personnel costs to cover an anticipated 4.8% increase in the PERS contribution rates for next fiscal year in an effort to maintain current budget levels. Materials and Services increased 17.1% over last fiscal year. The largest increases included a 15.8% increase in the book budget bringing this category up to 9.6% of the overall budget (the standard for the Library industry is 10-15%). The Library District has initiated a District-wide purging in its collections over the past two years, replacing antiquated materials with current titles in all genres. The children's category has been the recent focus as well as expanding the audio books and movie collections.

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 has been overhauled continuing to offer 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 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.

BAKER COUNTY LIBRARY DISTRICT  
STATEMENT OF NET ASSETS  
June 30, 2011

ASSETS	Total Governmental Activities
Current Assets:	
Cash and investments	\$ 261,102
Property taxes receivable	72,260
Accounts receivable	3,042
Prepaid expenses	996
Payroll advances	700
Total current assets	<u>338,100</u>
Capital Assets (net of accumulated depreciation):	
Land	42,800
Buildings and improvements	1,846,654
Furniture, fixtures and equipment	47,304
Vehicles	50,871
Library collection	233,099
Total capital assets	<u>2,220,728</u>
Total assets	<u>2,558,828</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	15,559
Wages and payroll taxes payable	40,517
Compensated absences payable	44,452
Total liabilities	<u>100,528</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,220,728
Restricted for:	
Debt service	0
Special uses	52,094
Unrestricted	185,478
Total net assets	<u>\$ 2,458,300</u>

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

1

The accompanying notes are an integral part of this financial statement



## BASIC FINANCIAL STATEMENTS

BAKER COUNTY LIBRARY DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General Fund	Special Funds - Other Uses Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 209,008	\$ 52,094	\$ 0	\$ 261,102
Property Taxes Receivable	72,260	0	0	72,260
Account Receivable	3,042	0	0	3,042
Payroll Advances	700	0	0	700
Prepaid Expenses	996	0	0	996
Total Assets	<u>\$ 286,006</u>	<u>\$ 52,094</u>	<u>\$ 0</u>	<u>\$ 338,100</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 15,559	\$ 0	\$ 0	\$ 15,559
Wages Payable	35,703	0	0	35,703
Payroll Taxes and Benefits Payable	4,814	0	0	4,814
Deferred Revenue	72,260	0	0	72,260
Total Liabilities	<u>128,336</u>	<u>0</u>	<u>0</u>	<u>128,336</u>
<b>Fund Balance:</b>				
Restricted for Debt Service	0	0	0	0
Restricted for Special Uses	0	52,094	0	52,094
Unassigned, Reported In:				
General Fund	157,670	0	0	157,670
Total Fund Balance	<u>157,670</u>	<u>52,094</u>	<u>0</u>	<u>209,764</u>
Total Liabilities and Fund Balance	<u>\$ 286,006</u>	<u>\$ 52,094</u>	<u>\$ 0</u>	<u>\$ 338,100</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, 2011

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TOTAL FUND BALANCES \$ 209,764

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

Cost	\$ 3,241,835	
Accumulated depreciation	<u>(1,021,107)</u>	
		2,220,728

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.

72,260

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.

(44,452)

TOTAL NET ASSETS \$ 2,458,300

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

BAKER COUNTY LIBRARY DISTRICT  
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Special Funds - Other Uses Fund	Debt Service Fund	Total Governmental Funds
REVENUES:				
Property Taxes	\$ 862,907	\$ 0	\$ 183	\$ 863,090
Intergovernmental	4,975	0	0	4,975
Fines and Forfeitures	13,987	0	0	13,987
Grants	2,493	10,000	0	12,493
Contributions	150	2,572	0	2,722
Other Revenues	18,172	2,164	0	20,336
Interest	8,686	191	1	8,878
Miscellaneous	3,344	0	0	3,344
Total Revenue	<u>914,714</u>	<u>14,927</u>	<u>184</u>	<u>929,825</u>
EXPENDITURES:				
Current:				
Library Services	868,097	15,515	0	883,612
Debt Service:				
Principal	6,987	0	498	7,485
Interest	993	0	5	998
Total Expenditures:	<u>876,077</u>	<u>15,515</u>	<u>503</u>	<u>892,095</u>
Excess (Deficit) of Revenues Over Expenditures	<u>38,637</u>	<u>(588)</u>	<u>(319)</u>	<u>37,730</u>
Other Financing Sources (Uses):				
Transfers In	0	6,700	0	6,700
Transfers Out	(6,700)	0	0	(6,700)
Total Other Financing Sources (Uses)	<u>(6,700)</u>	<u>6,700</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	31,937	6,112	(319)	37,730
Fund Balance, Beginning	<u>125,733</u>	<u>45,982</u>	<u>319</u>	<u>172,034</u>
Fund Balance, Ending	<u>\$ 157,670</u>	<u>\$ 52,094</u>	<u>\$ 0</u>	<u>\$ 209,764</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, 2011

NET CHANGE IN FUND BALANCE

\$ 37,730

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  
(Less) net current year depreciation

\$ 4,985  
(88,781)

(83,796)

Donated assets are not recorded in the Governmental Funds report. In the Statement of Activities donated assets are recorded as revenue. The donated assets included as revenue in the current year were:

8,588

Long-term debt principal repayment is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets. Principal payments for the fiscal year were:

7,485

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:

40,855

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:

(42,016)

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:

(6,540)

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:

17,164

CHANGE IN NET ASSETS

\$ (20,530)

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, 2011

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**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, 2011, the District has three 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, 2011

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Financial Statements, Continued:**

The Debt Service Fund accounts for the principal and interest payments on long-term indebtedness. This fund was closed at the close of fiscal year ended June 30, 2011. The District's long-term debt was paid in full.

**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.

BAKER COUNTY LIBRARY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**Other Receivables**

Other receivables are mostly comprised of a program expense reimbursement due from a sponsor plus two small reimbursements due from library associations related to staff training travel.

**Prepaid Expenses**

Prepaid Expenses are comprised of an overpayment of utilities for one of the library branches.

**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 are 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.

BAKER COUNTY LIBRARY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

**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 consists of a note payable to US Bank. The note was paid in full during the fiscal year ended June 30, 2011.

**Fund Balances**

During the 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.



BAKER COUNTY LIBRARY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budget (Continued)**

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
- 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.

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, 2011 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 15, 2011, the date that the financial statements were available to be issued.

**BAKER COUNTY LIBRARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2011

**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. Following is a summary of District cash and investments at June 30, 2011:

Cash in Bank Demand Deposit US Bank - General Checking	\$ 310
Cash in Bank Demand Deposit US Bank - Other Uses	1,161
Demand Deposits in Local Government Investment Pool (2 accounts, cost approximates market, interest approximately 0.50% at June 30)	259,631
Total Cash and Investments	\$ 261,102

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, 2011 was limited to the LGIP and such investments are not required to be categorized according to the level of custodial credit risk. On June 30, 2011, the Fund itself was not rated by the fund's weighted average rating of investments held is required to be between AA-/Aa3 and AA- or better by Standard and Poor's and Moody, respectively.

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, 2011:

Property Taxes	\$ 72,260
USAC E-Rate Program reimbursements due	2,660
Due from Library Associations	382
Total	\$ 75,302

The reimbursements due from the USAC E-Rate Program represent amounts due for January through June 2011. This Federal program subsidizes telephone and Internet costs for rural schools and libraries to expand the use of technology in rural areas. The amount due from two library associations represents reimbursements related to staff training travel sponsored by the associations.

**4. PREPAID EXPENSE**

Prepaid expenses of \$996 was comprised of utilities paid for a branch library located in a City owned building for which utilities costs are allocated for the space occupied by the library. The anticipated amount was in excess of the actual allocated costs.



**BAKER COUNTY LIBRARY DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
For the Fiscal Year Ended June 30, 2011

**5. CAPITAL ASSETS**

Capital assets activity for the year was as follows:

	Balance July 1, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 42,800	\$ 0	\$ 0	\$ 42,800
Library Collection	<u>215,935</u>	<u>21,034</u>	<u>(3,870)</u>	<u>233,099</u>
Total capital assets not being depreciated	258,735	21,034	(3,870)	275,899
Capital assets being depreciated:				
Buildings and improvements	2,569,147	0	0	2,569,147
Furniture, fixtures and equipment	329,482	13,573	(43,397)	299,658
Vehicles	<u>97,132</u>	<u>0</u>	<u>0</u>	<u>97,132</u>
Total capital assets being depreciated	2,995,761	13,573	(43,397)	2,966,737
Less accumulated depreciation for:				
Buildings and improvements	(658,121)	(64,372)	0	(722,493)
Furniture, fixtures and equipment	(280,924)	(14,827)	43,397	(252,353)
Vehicles	<u>(36,679)</u>	<u>(9,582)</u>	<u>0</u>	<u>(46,261)</u>
Total accumulated depreciation	<u>(975,724)</u>	<u>(88,781)</u>	<u>43,397</u>	<u>(975,724)</u>
Total capital assets being depreciated, net	2,020,037	(75,208)	0	2,020,037
Total capital assets, net	\$ <u>2,278,772</u>	\$ <u>(54,174)</u>	\$ <u>(3,870)</u>	\$ <u>2,220,728</u>

The land and building on 2400 Resort Street, which houses the Main 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, 2011

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**5. 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 \$88,781 for the year was charged to the "library services" function in the Statement of Governmental Activities.

**6. SHORT-TERM DEBT**

During the year, the District borrowed \$98,300 in tax anticipation notes at a variable interest rate projected at about 3.5% at the payoff date. 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, 2011.

**7. LONG-TERM DEBT**

The District made the final payment to US Bank on its long-term commercial loan in August 2010 as scheduled. The District has no outstanding debt at June 30, 2011.

**8. INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2011 are as follows:

<u>Transfers Out:</u>	<u>Transfers In:</u>
	<u>Special Fund – Other Uses</u>
General Fund	\$1,000
General Fund	\$5,700

A 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.

The District also made a transfer of \$10,000 as budgeted from the General Fund to the Severance Liability Department (Special Fund-Other Uses) in April 2011 to accumulate monies for projected retirement packages for employees eligible to retire through 2014. The District made a transfer from the Severance Liability Department (Special Fund-Other Uses) back to General Fund for a retirement severance package of \$4,300 payable in May 2011. In total, the transfers net to the \$5,700 shown above for the fiscal year.

BAKER COUNTY LIBRARY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

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**9. 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.

**10. 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. Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts. However any future member contributions will be deposited in the individual's IAP account. 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, 2011

**10. 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, 2011, 2010, and 2009 were approximately \$27,574, \$27,657, and \$33,841, respectively, equal to the required contributions for each year. PERS covered payroll, as a percentage of total payroll was approximately 90%, 89%, and 96%, respectively.

**Net Pension Obligation (Asset)**

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
12/31/03	903,154	908,861	5,708	99%	153,370	4%
12/31/04	1,154,451	1,358,130	56,636	85%	196,646	29%
12/31/05	1,303,789	1,427,916	(20,933)	91%	202,349	(10%)
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%)

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 December 31, 2004 actuarial valuation, the District had a surplus of (\$147,042) plus its allocated UAL of \$203,678 nets to the \$56,636 shown in the chart above. The District received a 2.45% credit for the surplus each month when contributing its required PERS contributions.

At the December 31, 2005 actuarial valuation, the District had a surplus of (\$145,060) plus its allocated UAL of \$124,127 nets to the (\$20,933) shown in the chart above. The District continued to receive a 2.45% credit for the surplus on its monthly PERS contributions during the fiscal year.

At the December 31, 2007 actuarial valuation, the District had a surplus of (\$136,623) plus its allocated portion of UAL \$14,899, nets to the (\$121,562) shown in the chart above. The District receives a surplus credit of 3.19% that is included in the reduced rates for the period July 1, 2009 through June 30, 2011.

BAKER COUNTY LIBRARY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2011

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**10. PENSION PLAN, Continued**

At the December 31, 2009 actuarial valuation, the District had used up its surplus from previous years. Its allocated portion of the UAL of \$371,661 is shown in the chart. The District no longer receives a surplus credit on its statements which also contributed to increased rates for the period July 1, 2011 through June 30, 2013.

The Library District's employer contribution rates for the two-year period July 1, 2009 through June 30, 2011 for Tier 1/Tier2 and OPSRP General Service were 7.52% and 7.08%, respectively. The increased current rates for fiscal year July 1, 2011 through June 30, 2012 for Tier1/Tier2 and for OPSRP General Service are 12.33% (4.81% increase) and 10.22% (3.14% increase), respectively. The District estimates the current rates will increase costs nearly \$15,000 in the next fiscal year.

**11. 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.

**12. 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, 2011 is not available. Management believes there are no claims for the fiscal year.

Accumulated Sick Leave that has vested at June 30, 2011 is accrued in the Government-wide Statements. For the current fiscal year, the accrued benefits are completely vested. This means that all eligible employees have worked for the District more than five years.

During fiscal year ended June 30, 2011, the District paid a retirement severance package of \$4,312 (May 2011). 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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Taxes:				
Current Year Taxes	\$ 831,052	\$ 818,000	\$ 821,285	\$ 3,285
Prior Years' Taxes	20,000	45,500	39,949	(5,551)
Other Tax Revenues	1,000	1,500	1,673	173
Total Taxes	852,052	865,000	862,907	(2,093)
Intergovernmental Revenues:				
State Resource Sharing	3,400	4,975	4,975	0
Fines and Fees:				
Overdue Book Fines and Fees	10,000	14,200	13,987	(213)
Grant Revenues	0	2,500	2,493	(7)
Contributions	0	0	622	622
Other Revenues	14,000	19,100	17,481	(1,619)
Other Revenues - Jobs Plus Program	2,662	0	0	0
Technician Special Contracts	3,696	3,696	3,563	(133)
Interest	2,000	4,100	8,686	4,586
Total Revenues	887,810	913,571	914,714	1,143
EXPENDITURES:				
Current:				
Personal Services:				
Library Director	64,219	64,219	64,629	(410)
Administrative Assistant	19,462	18,000	17,893	107
Business Manager	19,920	19,920	19,968	(48)
Clerks	144,987	148,086	147,636	450
Cataloger	29,735	29,735	29,808	(73)
Shelver	15,535	16,000	16,250	(250)
Bookmobile Drivers	13,618	13,618	13,277	341
Book Processor	4,041	4,041	3,985	56
Technology Manager	39,785	39,785	39,816	(31)
Technician Special Contracts	1,896	2,150	2,118	32
Vacation Substitutes	3,716	6,466	6,661	(195)
Branch Clerks	54,687	54,687	55,402	(715)
Jobs Plus Program	4,096	750	0	750
Severance	0	4,300	4,312	(12)
PERS	28,558	28,558	27,574	984
Payroll Taxes and Insurance	34,129	34,129	33,994	135
Group Health and Life Insurance	77,406	94,750	89,243	5,507
Total Personal Services	555,790	579,194	572,566	6,628
Materials and Services:				
Books and Periodicals	89,250	104,125	100,067	4,058
Database Services	17,100	17,100	17,082	18
Building and Grounds Maintenance	26,000	42,068	22,408	19,660

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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES, CONTINUED:				
Janitorial Contract	9,000	9,000	9,375	(375)
Janitorial Supplies	2,350	2,350	2,089	261
Equipment Maintenance	4,500	4,000	3,855	145
Computer Maintenance	15,000	27,100	23,211	3,889
Bookmobile Operations	7,325	7,825	9,658	(1,833)
Insurance	14,450	13,125	13,100	25
Travel and Training	1,800	4,300	2,884	1,416
Technician Contract Travel	1,800	1,800	1,704	96
Election	3,500	4,300	3,172	1,128
Professional Fees	7,166	7,166	7,070	96
Professional Services	10	10	0	10
Bookkeeping	900	900	413	487
Association Dues	1,200	1,400	1,359	41
Publication	600	600	395	205
Financial Management Fees	875	875	1,016	(141)
Legal Administration	200	200	200	0
PR Events, Programs	1,500	2,100	2,035	65
Branch Mileage	2,250	2,250	1,800	450
Library Service Supplies	17,000	17,000	14,532	2,468
Storytime/Summer Reading Program Supplies	1,600	2,000	1,563	437
Postage	2,500	2,000	1,555	445
Utilities	47,210	48,462	43,532	4,930
Telecommunications	16,575	11,675	11,456	219
Total Materials and Supplies	291,661	333,731	295,531	38,200
Debt Service Payments	9,470	8,000	7,980	20
Capital Outlay	100	100	0	100
Operating Contingency	184,474	165,000	0	165,000
Total Expenditures	1,041,495	1,086,025	876,077	209,948
Revenues Over (Under) Expenditures	(153,685)	(172,454)	38,637	211,091
Other Financing Sources (Uses):				
Operating Transfers In	0	0	0	0
Operating Transfers Out	(11,000)	(6,700)	(6,700)	0
Total Other Financing Uses	(11,000)	(6,700)	(6,700)	0
Revenues Over (Under) Expenditures and Other Financing Uses	(164,685)	(179,154)	31,937	211,091
Fund Balances, Beginning	164,685	179,154	125,733	(53,421)
Fund Balances, Ending	\$ 0	\$ 0	\$ 157,670	\$ 157,670

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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
Local Sources:				
Grants	\$ 15,000	\$ 15,000	\$ 10,000	\$ (5,000)
Contributions	1,000	1,000	2,572	1,572
Other Revenues	1,000	1,000	2,164	1,164
Interest	500	500	191	(309)
Total Revenues	<u>17,500</u>	<u>17,500</u>	<u>14,927</u>	<u>(2,573)</u>
<b>EXPENDITURES:</b>				
Materials and Services:				
Memorial Department	39,400	39,400	15,451	23,949
Literacy Department	1,000	1,000	3	997
Technology Department	7,500	7,500	18	7,482
Severance Liability Department	25,500	25,500	43	25,457
Capital Outlay:				
Memorial Department	100	100	0	100
Total Expenditures	<u>73,500</u>	<u>73,500</u>	<u>15,515</u>	<u>57,985</u>
Revenues Over (Under) Expenditures	<u>(56,000)</u>	<u>(56,000)</u>	<u>(588)</u>	<u>55,412</u>
Other Financing Sources:				
Operating Transfers In	11,000	11,000	6,700	4,300
Operating Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources	<u>11,000</u>	<u>11,000</u>	<u>6,700</u>	<u>4,300</u>
Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(45,000)</u>	<u>(45,000)</u>	<u>6,112</u>	<u>51,112</u>
Fund Balances, Beginning	<u>45,000</u>	<u>45,000</u>	<u>45,982</u>	<u>982</u>
Fund Balances, Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 52,094</u>	<u>\$ 52,094</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, 2011

	<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	250	250	183	(67)
Total Tax Revenues	250	250	183	(67)
Interest	50	50	1	(49)
Total Revenues	300	300	184	(116)
EXPENDITURES:				
Current:				
Debt Service Payments	700	700	503	197
Total Expenditures	700	700	503	197
Revenues Over (Under) Expenditures	(400)	(400)	(319)	(81)
Revenues Over (Under) Expenditures	(400)	(400)	(319)	81
Fund Balances, Beginning	400	400	319	(81)
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, 2011

Tax Year	Taxes Receivable June 30, 2010	Current Levy	Adjustments	Discounts Allowed	Taxes Collected	Taxes Receivable June 30, 2011
2010-11	\$ 0	\$ 884,126	\$ 623	\$ (21,104)	\$ 822,958	\$ 40,855
2009-10	39,299	0	85	0	20,893	17,930
2008-09	19,097	0	4	0	8,919	9,733
2007-08	10,522	0	4	0	7,419	2,500
2006-07	2,860	0	4	0	2,274	342
2005-06	857	0	4	0	497	302
2004-05	324	0	4	0	54	236
All Prior Years	462	0	0	0	77	362
Total	\$ 73,421	\$ 884,126	\$ 728	\$ (21,104)	\$ 863,091	\$ 72,260

Interest Collections

Total Collections \$ 870,595

Tax Year	Taxes Receivable by Fund	
	General Fund	Debt Service
2010-11	\$ 40,855	\$ 0
2009-10	17,930	0
2008-09	9,733	0
2007-08	2,500	0
2006-07	342	0
2005-06	302	0
2004-05	236	0
All Prior Years	362	0
Total	\$ 72,260	\$ 0

	Collections by Fund		
	Total	General Fund	Debt Service
<u>Current Year Tax Collections:</u>			
Current General Levy	\$ 578,413	\$ 578,413	\$ 0
Current Local Option Levy	242,872	242,872	0
Current Interest	528	528	0
Total Current Year	\$ 821,813	\$ 821,813	\$ 0
<u>Prior Years Tax Collections:</u>			
Prior General Levy	\$ 28,936	\$ 28,753	\$ 183
Prior Local Option Levy	11,196	11,196	0
Prior Interest	6,976	6,976	0
Total Prior Years	\$ 47,108	\$ 46,925	\$ 183

AUDIT COMMENTS AND DISCLOSURES  
REQUIRED BY STATE REGULATIONS



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

We have audited the basic financial statements of the Baker County Library District as of and for the year ended June 30, 2011, and have issued our report thereon dated December 20, 2011. 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.

#### **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 20, 2011.

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 20, 2010

