

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017**

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**DISTRICT OFFICIALS
JUNE 30, 2017**

Chair

Stephen Hillis
Madras, Oregon

Vice Chair

Susan Stovall
Madras, Oregon

Board Members

Karen Esvelt
Madras, Oregon

Guy Chittenden
Madras, Oregon

Bill Vollmer
Madras, Oregon

Executive Director

DeRese Hall
241 SE Seventh St.
Madras, Oregon 97741

Registered Agent

David Glenn
Glenn, Reeder & Gassner, LLP
205 SE Fifth Street
Madras, Oregon 97741

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

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YEAR ENDED JUNE 30, 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Jefferson County Library District
Madras, Oregon

We have audited the accompanying modified cash basis financial statements of the governmental activities and each major fund of the Jefferson County Library District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of Jefferson County Library District, as of June 30, 2017, and the respective changes in modified cash basis financial position for the year then ended in accordance with the modified cash basis accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jefferson County Library District's financial statements. The Management's Discussion and Analysis, Budget and Actual statements, Schedule of Expenditures and Appropriations and the Schedule of Property Tax Transactions are presented for purposes of additional analysis and are not a required part of the financial statements.

The Budget and Actual statements, Schedule of Expenditures and Appropriations and the Schedule of Property Tax Transactions, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Management's Discussion and Analysis, as listed in the table of contents, has not been subject to the auditing procedures applied in the audit of the basis financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Information

The schedule of top property taxpayers has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide assurance on the information contained in the report.

Prior – Year Comparative Information

We have previously audited the District's 2016 modified cash basis financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities and each major fund, and the aggregate remaining fund information in our report dated November 21, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent in all material respects, with the audited financial statements from which it has been derived.

Report on Other Legal and Regulatory Requirements

In accordance with the *Minimum Standards for Audits of Oregon Municipal Standards*, we have also issued a report titled "Independent Auditors' Report Required by Oregon State Regulations" dated November 21, 2017, which is also not a required part of the financial statements. The purpose of that report is to address specific matters required by the State of Oregon.

PRICE FRONK & CO.
Certified Public Accountants & Consultants

By: 
Candace S. Fronk – a partner

November 21, 2017

MANAGEMENT'S DISCUSSION & ANALYSIS

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**MANAGEMENT'S DISCUSSION & ANALYSIS
YEAR ENDED JUNE 30, 2017**

As management of the Jefferson County Library District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audited financial statements.

Financial Highlights

The assets of the District exceeded its liabilities at June 30, 2017, by \$1,714,649. Of this amount \$887,581 is unrestricted.

Total net position increased by \$75,577.

As of June 30, 2017, the District's General Fund reported an ending fund balance of \$431,381, a decrease of \$39,032 due to transfers to the Building and Improvement Fund.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. These basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Basis of Accounting

The District has elected to present its financial statements on the modified cash basis of accounting. This is a basis of accounting other than accounting principles generally accepted in the United States of America. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses and related assets and liabilities. Under the District's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for recording of capital assets, related depreciation, and long-term debt, in the government-wide financial statements for all activities.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (*such as accounts receivable and revenue for billed or provided services not yet collected*) and certain liabilities and their related expenses (*such as accounts payable and expenses for goods or services received but not yet paid and accrued expenses and payroll liabilities*) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**MANAGEMENT'S DISCUSSION & ANALYSIS
YEAR ENDED JUNE 30, 2017**

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The *Statement of Activities* presents information showing how the District's net position changed during the fiscal year ended June 30, 2017.

Each of these government-wide financial statements, the *Statement of Net Position* and the *Statement of Activities*, distinguish functions of the District that are supported primarily by intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion of their costs through user fees and charges (*business-type activities*). The District had no business-type activities for the year ended June 30, 2017. The governmental activities of the District include library support services and operation and maintenance of facilities in conjunction with youth and community programs. Capital assets and related debt are supported primarily by property taxes.

JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON

MANAGEMENT'S DISCUSSION & ANALYSIS
YEAR ENDED JUNE 30, 2017

The government-wide financial statements can be found on pages 11 and 12 of this report. A comparison to the prior year of the summarized modified cash basis Statement of Net Position is as follows:

Summarized Statement of Net Position

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>
Assets			
Current assets	\$ 1,013,498	\$ 959,716	\$ 53,782
Non-current assets	<u>772,269</u>	<u>806,330</u>	<u>(34,061)</u>
TOTAL ASSETS	<u>1,785,767</u>	<u>1,766,046</u>	<u>19,721</u>
Liabilities			
Current liabilities	21,118	26,974	(5,856)
Long-term liabilities	<u>50,000</u>	<u>100,000</u>	<u>(50,000)</u>
TOTAL LIABILITIES	<u>71,118</u>	<u>126,974</u>	<u>(55,856)</u>
Net Position			
Net investment in capital assets	702,269	686,330	15,939
Restricted for grant programs	124,799	124,799	
Unrestricted	<u>887,581</u>	<u>827,943</u>	<u>59,638</u>
TOTAL NET POSITION	<u>\$ 1,714,649</u>	<u>\$ 1,639,072</u>	<u>\$ 75,577</u>

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**MANAGEMENT'S DISCUSSION & ANALYSIS
YEAR ENDED JUNE 30, 2017**

A summarized comparison to the prior year of the modified cash basis Statement of Activities is as follows:

Summarized Statement of Revenues, Expenditures and Changes in Net Position

	Year Ended June 30,		Change
	2017	2016	
Revenues Received			
Property taxes	\$ 589,139	\$ 574,533	\$ 14,606
Grants and contributions	10,506	22,687	(12,181)
Interest	7,770	5,584	2,186
Charges for services and miscellaneous	61,566	66,922	(5,356)
 Total Revenues	 668,981	 669,726	 (745)
 Total Expenses Paid	 593,404	 578,046	 15,358
 Changes in net position	 75,577	 91,680	 (16,103)
 Net position - Beginning of year	 1,639,072	 1,547,392	 91,680
 Net position - End of year	 \$ 1,714,649	 \$ 1,639,072	 \$ 75,577

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. Jefferson County Library District, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. *Governmental funds* are used to account for essentially the same functions 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. A reconciliation from the General Fund Balance Sheet to the government-wide Statement of Net Position and a reconciliation from the

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**MANAGEMENT'S DISCUSSION & ANALYSIS
YEAR ENDED JUNE 30, 2017**

General Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the government-wide Statement of Activities have been included in this report.

The District reported activity in two governmental funds during the fiscal year ended June 30, 2017, the General Fund and the Building & Improvement Fund. Information is presented in the Governmental Fund Balance Sheet – Modified Cash Basis and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance – Modified Cash Basis for these funds.

The basic governmental fund financial statements can be found on pages 13 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 begin on page 15 of this report.

Other Information

The District has included other supplementary information beginning on page 34 including budgetary comparisons for each fund and schedules required under Standards for the Audits of Oregon Municipal Corporations.

Government-wide Financial Analysis

Net position at a specific point in time serves as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities by \$1,714,649 at June 30, 2017.

Of the District's net position, 41% reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, furniture and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its patrons; consequently, these assets are not available for future spending. Although, the 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 will not be used to liquidate these liabilities.

The District had \$124,799 of unspent grant proceeds at year end that were considered restricted net position. The remaining 52% of the District's net position, \$887,581 may be used to meet the District's on-going obligations to patrons, citizens and creditors.

As of June 30, 2017, the District reports positive balances in all its categories of net position (net investment in capital assets, restricted and unrestricted) for the government as a whole and for the governmental activities.

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**MANAGEMENT'S DISCUSSION & ANALYSIS
YEAR ENDED JUNE 30, 2017**

Governmental Activities

The District's governmental activities increased the District's net position by \$75,577 during the year ended June 30, 2017, compared to an increase of \$91,680 in the prior year. The most significant changes from the prior year were increases in property tax revenue and decreases in grant revenue.

Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Particularly, unassigned fund balance may serve as a useful measure of a government's net resources available for spending as of the end of the fiscal year.

As of June 30, 2017, \$432,499 is the reported General Fund ending fund balance for the District, a decrease of \$39,032. The decrease is primarily due to the transfer of funds to the Building and Improvement Fund. The Building & Improvement Fund reported a fund balance of \$580,999 as of June 30, 2017, an increase of \$98,670 due primarily from a \$75,171 transfer from the General Fund and an increase in net rental revenues from the prior year.

General Fund Budgetary Highlights

The District transferred \$30,000 of appropriations from contingency to debt service during the year. Revenues were \$44,657 under budget, due to less grants received than budgeted by \$71,816. Expenditures were \$192,291 below budget, due primarily to unused appropriated grants of \$74,786, unused capital outlay of \$48,694, and unused payroll related expenditures of \$42,375.

Capital Asset and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2017, is \$772,269 net of accumulated depreciation. This investment in capital assets includes the District's land, buildings, furniture and equipment. The District's new capital assets included computers and related equipment for the library. The cost of the new capital assets was \$3,573 during the fiscal year ending June 30, 2017. The District's depreciation expense on capital assets was \$30,189 for the year. The district disposed of older computer equipment, some not fully depreciated amounting to a loss of \$7,445. Additional information on the District's capital assets is included in Note 4 on page 22 of this report.

**JEFFERSON COUNTY LIBRARY DISTRICT
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**MANAGEMENT'S DISCUSSION & ANALYSIS
YEAR ENDED JUNE 30, 2017**

Long-term Debt

The District's outstanding debt consisted solely of the Series 2012A Certificates Bond, with a balance of \$70,000 at June 30, 2017. The terms of the debt consist of one annual payment and semi-annual interest payments at rates ranging between 1.60-3.85%. The debt retired in fiscal year 2017 totaled \$50,000.

Key Economic Factors and Budget Information for the Future

- Increases in the cost of employee health insurance are expected to continue.
- A long-term goal of the library is to increase the size of the facility. Funding will be raised through donations, rent from acquired properties, grants and possibly a low interest rate loan.
- Effective July 1, 2017, the rates will change to 19.97% for Tier 1/Tier 2, 15.06% for OPSRP general employees and 19.83% for OPSRP.

Requests for Information

This financial report is designed to provide a general overview to those parties interested in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Library Director, Jefferson County Library District, 241 SE 7th Street, Madras, Oregon 97741.

BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON

STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

	Governmental Activities	
	2017	2016
ASSETS		
Cash and investments	\$ 1,013,498	\$ 959,716
Land	291,147	291,147
Depreciable capital assets	984,299	1,014,213
Accumulated depreciation	(503,177)	(499,030)
TOTAL ASSETS	1,785,767	1,766,046
LIABILITIES		
Credit cards payable	1,118	1,913
Remodel note payable		918
Payroll withholdings		4,143
Long-term debt		
Due within one year	20,000	20,000
Due in more than one year	50,000	100,000
TOTAL LIABILITIES	71,118	126,974
NET POSITION		
Net investment in capital assets	702,269	686,330
Restricted for grant programs	124,799	124,799
Unrestricted	887,581	827,943
TOTAL NET POSITION	\$ 1,714,649	\$ 1,639,072

See notes to financial statements

JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

	Governmental Activities	
	2017	2016
Expenses paid		
Library services	\$ 593,404	\$ 578,046
Program revenues received		
Charges for services	61,566	66,922
Operating grants and contributions	10,506	22,687
Total program revenues	72,072	89,609
Net program expenses	(521,332)	(488,437)
General revenues received		
Property taxes levied for general purposes	589,139	574,533
Earnings on investments	7,770	5,584
Total general revenues	596,909	580,117
Change in net position	75,577	91,680
Net position - Beginning of year	1,639,072	1,547,392
Net position - End of year	\$ 1,714,649	\$ 1,639,072

See notes to financial statements

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**BALANCE SHEET - GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
JUNE 30, 2017
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)**

	<u>General</u>	<u>Building and Improvement</u>	<u>Total</u>	
			<u>2017</u>	<u>2016</u>
ASSETS				
Cash and investments	\$ 432,499	\$ 580,999	\$ 1,013,498	\$ 959,716
TOTAL ASSETS	<u>\$ 432,499</u>	<u>\$ 580,999</u>	<u>\$ 1,013,498</u>	<u>\$ 959,716</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Credit cards payable	\$ 1,118	\$	\$ 1,118	\$ 1,913
Remodel note payable				918
Payroll withholdings				4,143
TOTAL LIABILITIES	<u>1,118</u>		<u>1,118</u>	<u>6,974</u>
Fund Balances				
Restricted for grant programs		124,799	124,799	124,799
Assigned for capital acquisitions		456,200	456,200	357,530
Assigned for film center programs	24,571		24,571	24,571
Unassigned	406,810		406,810	445,842
TOTAL FUND BALANCES	<u>431,381</u>	<u>580,999</u>	<u>1,012,380</u>	<u>952,742</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 432,499</u>	<u>\$ 580,999</u>	<u>\$ 1,013,498</u>	<u>\$ 959,716</u>
 Total fund balance, above			 \$ 1,012,380	 \$ 952,742
 Amounts reported for governmental activities in the Statement of Net Position are different because:				
Capital assets used in governmental activities are not spendable resources and, therefore, not reported as assets in the funds.			772,269	806,330
Long-term liabilities and related accounts are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.			<u>(70,000)</u>	<u>(120,000)</u>
Total net position - governmental activities (page 11).			<u>\$ 1,714,649</u>	<u>\$ 1,639,072</u>

See notes to financial statements

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

YEAR ENDED JUNE 30, 2017

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2016)

	General	Building and Improvement	Total	
			2017	2016
Revenues received				
Property taxes	\$ 589,139	\$	\$ 589,139	\$ 574,533
Interest	4,455	3,315	7,770	5,584
Grants	10,506		10,506	22,687
Rental income	1,335	46,056	47,391	39,239
Program services revenue	1,981		1,981	1,898
Fees, fines and miscellaneous	8,663	508	9,171	7,087
Film Center	3,023		3,023	18,698
Total revenues received	<u>619,102</u>	<u>49,879</u>	<u>668,981</u>	<u>669,726</u>
Expenditures paid				
Current				
Library services	524,462	26,380	550,842	559,509
Capital outlay	4,306		4,306	1,263
Debt service				
Principal	50,000		50,000	20,000
Interest	4,195		4,195	4,760
Total expenditures paid	<u>582,963</u>	<u>26,380</u>	<u>609,343</u>	<u>585,532</u>
Excess of revenues over expenditures	<u>36,139</u>	<u>23,499</u>	<u>59,638</u>	<u>84,194</u>
Other financing sources (uses)				
Operating transfer out	(75,171)		(75,171)	(252,400)
Operating transfer in		75,171	75,171	252,400
	<u>(75,171)</u>	<u>75,171</u>		
Net changes in fund balances	(39,032)	98,670	59,638	84,194
Fund balances - Beginning of year	<u>470,413</u>	<u>482,329</u>	<u>952,742</u>	<u>868,548</u>
Fund balances - End of year	<u>\$ 431,381</u>	<u>\$ 580,999</u>	<u>\$ 1,012,380</u>	<u>\$ 952,742</u>
Total net change in fund balances, above			\$ 59,638	\$ 84,194
Amounts reported for governmental activities in the Statement of Activities are different because:				
The governmental funds report capital outlay as an expenditure whereas the cost of those assets is capitalized and depreciated for the Statement of Activities.			3,573	20,217
Depreciation and gains and losses on the disposal of capital assets are not included in the funds since they are not a current use of resources.			(37,634)	(32,731)
Current payments of long-term debt reduce the liability on the statement of net position but are recorded as an expenditure in the governmental fund.			50,000	20,000
Change in net position - governmental activities (page 12).			<u>\$ 75,577</u>	<u>\$ 91,680</u>

See notes to financial statements

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District

Jefferson County Library District was formed by passage of a tax base measure in May 2000, and began operations July 1, 2000. The District provides library services to the City of Madras and surrounding areas. Property taxes are levied in Jefferson County and Wasco County.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position – Modified Cash Basis and the Statement of Activities – Modified Cash Basis) report information on all of the activities of the government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business activities or fiduciary funds.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide Statement of Net Position and the Statement of Activities utilize the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income and changes in net position. All modified cash basis assets and liabilities (whether current or noncurrent, financial or nonfinancial) associated with their activities are reported.

The fund financial statements utilize the current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

The government-wide Statement of Net Position and Statement of Activities and the fund financial statements utilize the modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund balance, revenues and expenditures/expenses when they result from cash transactions.

JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

The District also recognizes long-term debt and capital assets on its modified cash basis Statement of Net Position, including a provision for depreciation. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Cash and Investments

Cash includes amounts in demand deposits and amounts in investment pools that have the general characteristics of demand deposit accounts, such as the Jefferson County Treasurer's Investment Pool.

Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In the governmental fund statements, capital assets are charged to expenditures as purchased.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position and is calculated on the straight-line basis over the estimated useful lives of the assets. The District does not capitalize its book collection.

Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54)*. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

1. *Nonspendable*, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable and property held for resale (unless the proceeds are restricted, committed or assigned),
2. *Restricted* fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation,

JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Balance Reporting – Continued

3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's governing board (the District's highest level of decision-making authority),
4. Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed and
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

The District reduces restricted amounts first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available. The District reduces committed amounts first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Property Taxes

Property taxes are assessed on a July 1 – June 30 fiscal year basis. The taxes are levied July 1 and property owners have the option of paying the full amount November 15 or February 15 less a discount, or paying in three installments, November 15, February 15 and May 15. Property taxes attach as an enforceable lien July 1 and are considered delinquent if not paid by the following May 15. The Jefferson County Tax Collector is the tax collection agent for all taxing entities within Jefferson County. The Wasco County Treasurer is the tax collection agent for all taxing entities within Wasco County.

Tax revenue is considered received when in the hands of the County as the intermediary collecting agency. Unrecorded taxes receivable at June 30, 2017, amounted to \$29,270.

Debt

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position. In the fund financial statements, payment of the series 2012A Certificates Bond payment is recorded in the general Fund. Bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are shown net of applicable amortization.

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Debt – Continued

Additionally, the District uses series of credit cards to finance public programs and general operations. The District's general fund pays the debts.

Financial Reporting Entity

The District's financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of the Government Accounting Standards Board's (GASB's) *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in its own name).
- The District holds the corporate powers of the organization.
- The District appoints a voting majority of the organization's board.
- The District is able to impose its will on the organization.
- The organization has the potential to impose a financial benefit/burden on the District.
- There is fiscal dependency by the organization on the District.

Both the Jefferson County Library Association and Friends of Jefferson Public Library were examined as potential component units. The District does not hold powers to impose its will or affect board decision. Based on the aforementioned criteria, the District has no component units and is not a component unit of any other entity.

Appropriations and Budgetary Controls

The District is subject to provisions of the Oregon Revised Statutes which set forth local budget law procedures. A budget is prepared for each fund on the modified cash basis of accounting. Expenditure budgets are appropriated by major program in the fund. Budgeted expenditures at the appropriation level may not be legally overspent.

In accordance with state law, appropriations terminate June 30, and goods and services delivered during the ensuing year must be charged against the ensuing year's appropriations. Encumbrances are not reported in the financial statements.

JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition of those assets. Net position is reported as restricted when there are limitations imposed on the use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with the modified cash basis of accounting. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – ORGANIZATION AND FUND STRUCTURE

The District was formed for the purpose of providing library services for Jefferson County and surrounding areas. It is organized with an elected board consisting of five members.

General Fund

The General Fund is utilized to account for the operation of the District. Property taxes and grants are its principal sources of revenue. Personnel costs and materials and supplies are the major expenditures of the fund.

Building and Improvement Fund

The Building and Improvement Fund is utilized to save funds for future expansion. Interest income and transfers from the General Fund are its principal sources of revenue and capital outlay will be its principal type of expenditure.

JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 – CASH AND INVESTMENTS

The District's investment of cash funds is regulated by the Oregon Revised Statutes. Under these guidelines, cash funds may be invested in bank accounts, general obligation issues of the United States and certain states and certain guaranteed investments issued by banks. During the year, the District purchased allowable investment instruments but did not participate in any repurchase or reverse repurchase agreements.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require that all bank deposits in excess of the FDIC or FSLIC insurance amounts be collateralized through the Oregon State Treasurer's Public Funds Collateralization Program. This program provides a structure for specified depositories to participate in a shared liability collateral pool. Securities pledged by individual institutions may range from 10% to 110% of public fund deposits depending on the financial institution's level of capitalization as determined by its federal regulatory authority. The aggregate Oregon public fund collateral pledged at June 30, 2017, was \$1,270,579,839 for reported public funds of \$1,981,568,609. The custodian, Federal Home Loan Bank of Seattle, is the agent for the depository bank. The securities pledged are designated as subject to the Pledge Agreement between the depository bank, custodian bank and Office of the State Treasurer (OST) and are held for the benefit of OST on behalf of the public depositors. The District's funds were held by financial institutions that participated in the State Treasurer's program and were in compliance with statutory requirements.

Cash and investments at June 30, 2017, consisted of the following:

Demand deposits	\$	25,086
Petty Cash		150
Jefferson County Treasurer Investment Pool		<u>988,262</u>
	\$	<u>1,013,498</u>

The District participates in the Jefferson County Treasurer's external investment pool, a non-SEC regulated, open-ended, no-load diversified portfolio created under Oregon Revised Statutes Chapter 294.

The Treasurer has calculated the fair value of the underlying investments of the pool and the District's share of market value is reflected above. The portfolio's maturities are regulated by state statute and the County's investment policy.

JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 – CASH AND INVESTMENTS – CONTINUED

Investments

The Cash with the County Treasurer is carried at cost, which approximates fair market value. Such government pool investments are not required to be categorized in accordance with Governmental Accounting Standards Board Statements because they are not evidenced by securities that exist in physical or book entry form.

Interest Rate Risk

The District does not have a formal investment policy that limits maturities as a means of managing its exposure to fair value losses arising from increasing interest rates beyond the limits provided in state statutes.

Credit Risk

State law limits investments to obligations of the United States Treasury and United States Government agencies and instrumentalities, certain bankers' acceptances, repurchase agreements, certain high-grade commercial paper and corporate bonds and obligations of states and municipalities. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The funds held with the County Treasurer are not deemed to be a security, which is a transferable financial instrument that evidences ownership and is, therefore, not subject to custodial credit risk.

NOTE 4 – CAPITAL ASSETS

The District uses estimated useful lives as follows:

Buildings	30-40 years
Improvements	7-15 years
Equipment	5-7 years

Depreciation expense for the year ended June 30, 2017, amounted to \$30,189. The District has elected not to capitalize and depreciate its reading and audio visual collection.

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 – CAPITAL ASSETS – CONTINUED

Changes in the District’s capital assets were as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2017</u>
Land	\$ 291,147	\$	\$	\$ 291,147
Buildings	673,802			673,802
Improvements	114,987		(2,800)	112,187
Vehicles	26,710			26,710
Furniture and equipment	<u>198,714</u>	<u>3,573</u>	<u>(30,687)</u>	<u>171,600</u>
	1,305,360	3,573	(33,487)	1,275,446
Less accumulated depreciation	<u>(499,030)</u>	<u>(30,189)</u>	<u>26,042</u>	<u>(503,177)</u>
Governmental activities capital assets, net	<u>\$ 806,330</u>	<u>\$ (26,616)</u>	<u>\$ (7,445)</u>	<u>\$ 772,269</u>

NOTE 5 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To reduce the risk of incurring material losses related to the above, the District pays annual insurance premiums to a special districts supplier. Limitations on claims are as follows: general liability up to \$500,000 and excess liability up to \$5,000,000. The District also carries insurance for property coverage, crime, workers’ compensation and employee health insurance. In the public entity risk pool through Special Districts Insurance Services (SDIS), the District does retain some risk of loss. Since the SDIS trust is a nonassessable trust, the District cannot be required to contribute funds beyond its annual contributions to cover the claims of any other member. In the event of the insolvency of the trust, each member or former member of the trust will continue to be liable for the payment of its own claims and liabilities arising during the period of membership. The trust’s reserves have been sufficient to pay the claims of all members to date and the District believes that the likelihood of insolvency of the trust to be remote. Therefore, no liability for claims has been accrued as of June 30, 2017.

No losses were incurred during the year ended June 30, 2017, or the three years prior, which were greater than the District’s coverage.

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 – PROPERTY TAX LIMITATIONS

The District is currently subject to constitutional property tax limitation provisions that specify a maximum allowable tax of \$5 for public schools and \$10 for other local government entities for each \$1,000 assessed value of property. The limitation does not include taxes to repay bonded debt or certain special assessments.

Under an additional constitutional limitation, the maximum assessed value of property for 1997-98 was reduced to 90% of each property’s assessed value for the 1995-96 tax year. Increases to the assessed value are limited to 3% per year, with exceptions for new property and certain improvements. For the 1997-98 tax year, the totals of most taxing district operating levies in the state were reduced by approximately 17%. For subsequent years, the tax rates for each taxing district are permanently fixed based on the 1997-98 levy. Voters of a local taxing district may approve a tax that exceeds this limitation. Elections related to tax levies or bond measures require 50% of the registered voters to cast ballots to be valid except for general elections in even-numbered years.

NOTE 7 – LONG-TERM DEBT

The District’s Series 2012A Certificates require payments from January 1, 2013, to January 1, 2022. Bond principal payments are due annually on January 1 and interest is due semi-annually on January 1 and July 1. The interest rate on the scheduled maturities ranged from 1.60% to 3.85% per annum. The long-term debt was subject to a prepayment penalty if the debt obligation was paid in full prior to January 1, 2017.

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

	Outstanding Balance July 01, 2016	Matured and Paid		Outstanding Balance June 30, 2017	Principal Due Within One Year
		Principal	Interest		
Series 2012A	\$ 120,000	\$ 50,000	\$ 4,195	\$ 70,000	\$ 20,000

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 – LONG-TERM DEBT – CONTINUED

The long-term debt payment schedule is due as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 20,000	\$ 1,359	\$ 21,359
2019	20,000	1,925	21,925
2020	20,000	1,155	21,155
2021	10,000	385	10,385
	<u>\$ 70,000</u>	<u>\$ 4,824</u>	<u>\$ 74,824</u>

NOTE 8 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description

The Oregon Public Employees Retirement Systems (PERS or the System) provides statewide defined benefit and defined contribution plans for eligible employers such as units of state government, political subdivisions, community colleges and school districts. For the District and other eligible employers that have joined the State and Local Government Rate Pool, PERS is a cost-sharing, multiple-employer system. PERS is administered under Oregon Revised Statutes (ORS) Chapter 238, 238A and Internal Revenue Code Section 401(a) by the Public Employees Retirement Board. The Board has the authority under state statutes to amend the Plan's benefits and contribution rates. PERS issues publicly available financial reports that, include financial statements and required supplementary information. The reports can be obtained from the Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700 or by calling 1-503-598-7377 or at www.oregon.gov/pers. The Plan currently covers 146,435 inactive members (or their beneficiaries) receiving benefits, 45,925 inactive members not receiving benefits and 171,676 active members.

The Plan offers retirement and disability benefits, post-employment healthcare benefits, annual cost of living increases and death benefits to Plan members and beneficiaries. Benefits differ depending upon employee entry date. PERS Tier One/Tier Two plans and the Oregon Public Service Employee's Retirement Plan (OPSRP) established for employees hired after August 29, 2003, are established by state statutes to provide benefits for state and local governments and their employees. The authority to establish and amend the benefit provisions of the Plan rests with the Oregon Legislature.

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – DEFINED BENEFIT PENSION PLAN – CONTINUED

OPSRP Individual Account Program (OPSRP IAP) – Continued

Contributions – Continued

December 31, 2014, actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2015. Employer contributions for the ended June 30, 2017, were \$28,565, excluding amount to fund employer specific liabilities. The rates in effect for the fiscal year ended June 30, 2017, were 16.05% for Tier 1/Tier 2 employees and 12.27% and 16.38% for general service employees and police and fire OPSRP employees, respectively, in addition to the required 6% IAP contribution. Effective July 1, 2017, the rates will change to 19.97% for Tier 1/Tier 2, 15.06% for OPSRP general employees and 19.83% for OPSRP.

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

The District reports on the modified cash basis of accounting; therefore, the District does not report pension liabilities, deferred outflows of resources nor deferred inflows of resources related to pensions on its Statement of Position. PERS reported that the District's proportionate share of the Plan's net pension liability was \$316,871 at the Plan measurement date. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2016, the District's proportion was .0021%. At the Plan measurement date, PERS reported that the District's proportionate share of pension expense was \$48,278.

Actuarial assumptions

The employer contribution rates effective July 1, 2015, through June 30, 2017, were set using the projected unit credit actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years. For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions:

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – DEFINED BENEFIT PENSION PLAN – CONTINUED

OPSRP Individual Account Program (OPSRP IAP) – Continued

Actuarial assumptions – Continued

- valuation date of December 31, 2014, rolled forward to June 30, 2016,
- experience study report in 2014, published September 2015
- actuarial cost method using normal entry age
- amortization method amortized as a level percentage of payroll as layered amortization bases over a closed period: Tier 1/Tier 2 UAL is amortized over 20 years and OPSRP pension UAL is amortized over 16 years
- asset valuation using market value of assets method
- inflation rate of 2.75%
- investment rate of return of 7.75%
- projected salary increases of 3.75% in overall payroll growth
- mortality rates based on health retirees and beneficiaries using RP-2000 sex-distinct, generational per scale AA, with collar adjustments and set-backs as described in the valuation. For active members, mortality rates are a percentage of healthy retiree rates that vary by group, as described in the valuation. Disabled retiree mortality rates are a percentage of the RP-2000 statistic combined disabled mortality sex-distinct table.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2014 Experience Study which reviewed experience for the 4 year period ending on December 31, 2014.

Long-term expected rate of return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in July 2015 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of

JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 – DEFINED BENEFIT PENSION PLAN – CONTINUED

OPSRP Individual Account Program (OPSRP IAP) – Continued

Long-term expected rate of return – Continued

underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Compounded Annual Return (Geometric)</u>
Core Fixed Income	8.00%	4.00%
Short-Term Bonds	8.00%	3.61%
Bank/Leverage loans	3.00%	5.42%
High Yield Bonds	1.00%	6.20%
Large/Mid Cap US Equities	15.75%	6.70%
Small Cap US Equities	1.31%	6.99%
Micro Cap US Equities	1.31%	7.01%
Developed Foreign Equities	13.12%	6.73%
Emerging Foreign Equities	4.12%	7.25%
Non-US Small Cap Equities	1.87%	7.22%
Private Equities	17.50%	7.97%
Real Estate (Property)	10.00%	5.84%
Real Estate (REITS)	2.50%	6.69%
Hedge Fund of Funds - Diversified	2.50%	4.64%
Hedge Fund - Event-driven	0.63%	6.72%
Tir Total	1.88%	5.85%
Farmland	1.88%	6.37%
Infrastructure	3.75%	7.13%
Commodities	1.88%	4.58%
Total	100.00%	
Assumed Inflation - Mean		2.50%

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 – DEFINED BENEFIT PENSION PLAN – CONTINUED

OPSRP Individual Account Program (OPSRP IAP) – Continued

Discount rate

The discount rate used to measure the total pension liability was 7.5% for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1 % Decrease 6.50%	Current Discount Rate 7.50%	1 % Increase 8.50%
District's proportionate share of the net pension liability (asset)	\$ 511,641	\$ 316,871	\$ 154,077

The District does not report this liability under modified cash basis accounting.

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Changes in Plan Provisions Subsequent to Measurement Date

We are not aware of any changes subsequent to the June 30, 2016, Measurement Date. This is a change in benefit terms subsequent to the measurement date of June 30, 2016, and has not been included in the net pension liability (asset) proportionate shares provided by OPERS.

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 – OTHER POST- EMPLOYMENT BENEFITS

Oregon Public Employees Retirement System – Retirement Health Insurance Account (RHIA)

Plan Description. As a member of Oregon Public Employees Retirement System (OPERS) the District contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution (currently \$60 per month) toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The Plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700.

Funding Policy. Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have 8 years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had 8 years or more of creditable service in PERS; (2) receive both Medicare Parts A and B coverage and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating public employers are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.53% of annual covered payroll for Tier 1/Tier 2 employees, 0.44% for OPSRP employees. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the Plan over a period not to exceed 30 years. The District's contributions to RHIA for which equaled the required contributions each year were included with the payments for the retirement plan described in Note 8 and were approximately \$923, \$871 and \$863, respectively, for the years ended June 30, 2017, 2016 and 2015.

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 – OTHER POST- EMPLOYMENT BENEFITS – CONTINUED

District Retiree Health Plan

Plan Description. The District does not have a formal post-employment benefits plan for any employee groups. However, the District is required by Oregon Revised Statutes 243.303 to provide retirees with group health insurance from the date of retirement to age 65 at the same rate provided to current employees. Although, the District does not pay any portion of the retirees' healthcare insurance, a retired employee receives the implicit benefit of a lower healthcare premium which is subsidized among the premium cost of coverage for active employees. GASB Statement 45 is applicable to the District due only to this implicit rate subsidy. This "plan" is not a stand-alone plan and, therefore, does not issue its own financial statements.

Funding Policy. Although the District does not currently have any retirees participating in their health insurance plan, it will, when applicable, collect insurance premiums from all retirees each month and deposits them in the General Fund. The District will then pay healthcare insurance premiums for all retirees at the blended rate for each family classification. Under the modified cash basis of accounting, the District does not report a liability for any potential accrued liability under GASB Statement 45.

NOTE 10 – DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all District employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, death, disability, resignation or retirement.

Monies accumulated by the District under the Plan have been deposited with AIG and have been invested in mutual funds. These deposits are not subject to the collateral requirements by Oregon law.

Plan assets are held in trust with AIG serving as trustee for the exclusive benefit of the plan participants and their beneficiaries. The assets will not be diverted for any other purpose. The District's beneficial ownership of plan assets will be for the exclusive benefits of participants and beneficiaries. The District has little administrative involvement and does not perform the investing functions for the Plan, nor does it contribute.

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 – INTERFUND TRANSFERS

The District made the following transfers associated with future capital outlay by the building and improvement fund:

	<u>Transfer Out</u>	<u>Transfer In</u>
General fund	\$ 75,171	\$
Building and improvement fund	<u> </u>	<u>75,171</u>
	<u>\$ 75,171</u>	<u>\$ 75,171</u>

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events for potential disclosure through November 21, 2017. The date the financial statements were available to be issued.

OTHER SUPPLEMENTARY INFORMATION

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Over (Under)
	Original	Final		Final Budget
Revenues received				
Property taxes	\$ 566,337	\$ 566,337	\$ 589,139	\$ 22,802
Program service revenue	1,650	1,650	1,981	331
Grants	82,322	82,322	10,506	(71,816)
Interest	2,350	2,350	4,455	2,105
Film Center Revenue	2,000	2,000	3,023	1,023
Rental income	2,900	2,900	1,335	(1,565)
Fines and miscellaneous	6,200	6,200	8,663	2,463
Total revenues received	<u>663,759</u>	<u>663,759</u>	<u>619,102</u>	<u>(44,657)</u>
Expenditures paid				
Personnel services				
Payroll	238,385	238,385	220,919	(17,466)
Payroll taxes	27,786	27,786	15,643	(12,143)
Pension plan contribution	35,000	35,000	28,909	(6,091)
Employee benefits	56,245	56,245	49,570	(6,675)
	<u>357,416</u>	<u>357,416</u>	<u>315,041</u>	<u>(42,375)</u>
Materials and services				
Advertisements	2,500	2,500	2,217	(283)
Bank charges	100	100	25	(75)
Board expenses	1,350	1,350	1,147	(203)
Patron Materials	77,300	77,300	73,725	(3,575)
Collection agency	1,000	1,000	832	(168)
Computer and software expense	800	800	436	(364)
Consultant fees	2,500	2,500	2,515	15
Copier expense	6,300	6,300	4,538	(1,762)
Craft supplies	1,200	1,200	1,200	
Fees and dues	6,700	6,700	3,392	(3,308)
Grants expense	75,536	75,536	750	(74,786)
Insurance	5,470	5,470	5,768	298
DPLS	16,747	16,747	15,040	(1,707)
ORBIS	3,760	3,760	3,578	(182)
Data line	6,800	6,800	6,600	(200)
Janitorial	6,100	6,100	5,809	(291)
Legal, accounting and audit	27,655	27,655	27,501	(154)
Library cards	1,150	1,150		(1,150)
Maintenance and repairs	13,750	13,750	8,747	(5,003)
Miscellaneous	2,150	2,150	406	(1,744)
Office supplies	2,000	2,000	2,001	1
Postage and delivery	2,050	2,050	1,280	(770)
Processing	3,100	3,100	3,297	197
Program expenses	12,975	12,975	15,047	2,072

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS - BUDGET AND ACTUAL - CONTINUED
YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Over (Under) Final Budget
	Original	Final		
Expenditures paid - continued				
Materials and services - continued				
Staff database	3,700	3,700	3,580	(120)
Training	2,500	2,500	955	(1,545)
Travel, lodging and meals	2,350	2,350	1,703	(647)
Utilities - annex	5,000	5,000	3,541	(1,459)
Utilities and telephone	14,400	14,400	10,199	(4,201)
Vehicle maintenance	1,500	1,500	640	(860)
Film Center Expense	2,000	2,000	2,952	952
Website hosting	200	200		(200)
	<u>310,643</u>	<u>310,643</u>	<u>209,421</u>	<u>(101,222)</u>
Capital outlay				
Building and improvement	1,000	1,000		(1,000)
Office equipment and furniture	52,000	52,000	4,306	(47,694)
	<u>53,000</u>	<u>53,000</u>	<u>4,306</u>	<u>(48,694)</u>
Debt Service				
Principal	20,000	50,000	50,000	
Interest	4,195	4,195	4,195	
Contingency	30,000			
	<u>24,195</u>	<u>54,195</u>	<u>54,195</u>	
Total expenditures paid	<u>775,254</u>	<u>775,254</u>	<u>582,963</u>	<u>(192,291)</u>
Excess of revenues over (under) expenditures	(111,495)	(111,495)	36,139	147,634
Other financing sources (uses)				
Transfer from Building & Improvement Fund	283,000	283,000		(283,000)
Transfer to the Building & Improvement Fund	(275,000)	(275,000)	(75,171)	199,829
Net change in fund balance	(103,495)	(103,495)	(39,032)	64,463
Fund balance - Beginning of year	457,341	457,341	470,413	13,072
Fund balance - End of year	<u>\$ 353,846</u>	<u>\$ 353,846</u>	<u>\$ 431,381</u>	<u>\$ 77,535</u>

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**BUILDING AND IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
MODIFIED CASH BASIS - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Over (Under) Final Budget
	Original	Final		
Revenues received				
Interest	\$	\$	\$ 3,315	\$ 3,315
Rental income	41,100	41,100	46,056	4,956
Miscellaneous			508	508
Total Revenues	<u>41,100</u>	<u>41,100</u>	<u>49,879</u>	<u>8,779</u>
Expenditures paid				
Materials and services	20,065	20,065	15,407	(4,658)
Capital outlay	219,013	219,013	10,973	(208,040)
Contingency	15,000	15,000		(15,000)
	<u>254,078</u>	<u>254,078</u>	<u>26,380</u>	<u>(227,698)</u>
Excess of revenues over (under) expenditures	<u>(212,978)</u>	<u>(212,978)</u>	<u>23,499</u>	<u>236,477</u>
Other financing sources				
Transfer from General Fund	275,000	275,000	75,171	(199,829)
Transfer to General Fund	(283,000)	(283,000)		283,000
	<u>(8,000)</u>	<u>(8,000)</u>	<u>75,171</u>	<u>83,171</u>
Net change in fund balance	(220,978)	(220,978)	98,670	319,648
Fund balance - Beginning of year	<u>220,978</u>	<u>220,978</u>	<u>482,329</u>	<u>261,351</u>
Fund balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 580,999</u>	<u>\$ 580,999</u>

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**SCHEDULE OF EXPENDITURES AND APPROPRIATIONS
YEAR ENDED JUNE 30, 2017**

	<u>Actual</u>	<u>Appropriation</u>	<u>Amount Under (Over) Appropriation</u>
General Fund			
Personnel services	\$ 315,041	\$ 357,416	\$ 42,375
Materials and services	209,421	310,643	101,222
Capital outlay	4,306	53,000	48,694
Debt service	54,195	54,195	
Transfers	75,171	275,000	199,829
	<u>\$ 658,134</u>	<u>\$ 1,050,254</u>	<u>\$ 392,120</u>
Building and Improvement Fund			
Materials and services	\$ 15,407	\$ 20,065	\$ 4,658
Capital outlay	10,973	219,013	208,040
Transfers		283,000	283,000
Contingency		15,000	15,000
	<u>\$ 26,380</u>	<u>\$ 537,078</u>	<u>\$ 510,698</u>

**JEFFERSON COUNTY LIBRARY DISTRICT
MADRAS, OREGON**

**SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2017**

<u>Tax Year</u>	<u>Beginning Balance and 2016-17 Levy</u>	<u>Net Adjustments</u>	<u>Interest (Discount)</u>	<u>Collections</u>	<u>Uncollected June 30, 2016</u>
Jefferson County					
2016-17	\$ 591,017	\$ (948)	\$ (14,995)	\$ 560,495	\$ 14,579
2015-16	15,088	(329)	420	7,726	7,453
2014-15	9,273	(297)	641	5,323	4,294
2013-14	4,664	(297)	682	3,934	1,115
2012-13	1,925	(284)	393	1,896	138
2011-12	488	(276)	50	182	80
2010-11	806	(184)	9	27	604
2009-10	31	(31)			
Prior	540	(190)			350
	<u>\$ 623,832</u>	<u>\$ (2,836)</u>	<u>\$ (12,800)</u>	<u>\$ 579,583</u>	<u>\$ 28,613</u>
Wasco County					
2016-17	\$ 9,821	\$ (38)	\$ (249)	\$ 9,227	\$ 307
2015-16	348	(2)		155	191
2014-15	185	(1)		75	109
2013-14	96	(1)		64	31
2012-13	35	(1)		27	7
2011-12	12	(1)		5	6
2010-11	6	(1)		2	3
Prior	4			1	3
	<u>10,507</u>	<u>(45)</u>	<u>(249)</u>	<u>9,556</u>	<u>657</u>
Totals	<u>\$ 634,339</u>	<u>\$ (2,881)</u>	<u>\$ (13,049)</u>	<u>\$ 589,139</u>	<u>\$ 29,270</u>

OTHER INFORMATION

JEFFERSON COUNTY LIBRARY DISTRICT

MADRAS, OREGON

SCHEDULE OF TOP PROPERTY TAXPAYERS

YEAR ENDED JUNE 30, 2017

<u>Organization Name</u>	<u>Tax Amount</u>
1 Portland General Electric Company	\$ 3,423,743.65
2 Gas Transmission Northwest Corporation	554,194.65
3 PacifiCorp	514,097.29
4 Bright Wood Corporation	379,043.20
5 Warm Springs Power Enterprises	225,293.92
6 BNSF Railway Company	184,629.51
7 Keith Manufacturing Inc./Keith Investments	182,735.88
8 Safeway, Inc	133,930.86
9 Union Pacific Railroad Company	128,072.01
10 CenturyLink	95,098.94
11 Ponderosa Land & Cattle Company, LLC	90,374.42
12 Sweetwater Holdings, LLC	88,865.99
13 Helena Chemical Company	88,125.94
14 East Cascade Retirement	84,600.37
15 Verizon Communications	77,136.01
16 Central Oregon Seed, Inc	66,800.92
17 Puget Sound Energy, Inc.	66,593.74
18 Aero Air, LLC, dba Erickson Aero Tanker	63,054.01
19 Karoma Properties	58,608.12
20 Mid-Columbia Real Estate	55,574.92

AUDIT COMMENTS AND DISCLOSURES

REQUIRED BY STATE REGULATIONS

**INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS**

Board of Directors
Jefferson County Library District
Madras, OR

We have audited the basic financial statements of Jefferson County Library District (the District) as of and for the year ended June 30, 2017, and have issued our report thereon dated November 21, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the District's 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).**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Authorized investment of surplus funds (ORS Chapter 294).**

In connection with our testing nothing came to our attention that caused us to believe the 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 the District's 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 the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

This report is intended solely for the information and use of the board of directors and management of Jefferson 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.

PRICE FRONK & CO.
Certified Public Accountants & Consultants

By: 
Candace S. Fronk - a partner

November 21, 2017