

# **Library District of Clackamas County**

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*(A Component Unit of Clackamas County, Oregon)*



**CLACKAMAS**  
C O U N T Y

## **Report of Independent Auditors and Financial Statements with Supplementary Information**

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**For The Fiscal Year Ended June 30, 2012**

**LIBRARY DISTRICT OF CLACKAMAS COUNTY  
(A Component Unit of Clackamas County, Oregon)**

Report of Independent Auditors and  
Financial Statements with  
Supplementary Information

For the Fiscal Year Ended June 30, 2012

Prepared by:

Library District of Clackamas County  
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**LIBRARY DISTRICT OF CLACKAMAS COUNTY  
(A Component Unit of Clackamas County, Oregon)**

**GOVERNING BODY UNDER ORS 451.545  
BOARD OF COUNTY COMMISSIONERS  
CLACKAMAS COUNTY, OREGON**

Public Services Building  
2051 Kaen Road  
Oregon City, Oregon 97045

**COMMISSIONERS AS OF JUNE 30, 2012**

<u>Name</u>	<u>Term Expires</u>
Charlotte Lehan, Chair Public Services Building	December 31, 2012
Jim Bernard, Commissioner Public Services Building	December 31, 2014
Jamie Damon, Commissioner Public Services Building	December 31, 2012
Ann Lininger, Commissioner Public Services Building	December 31, 2012
Paul Savas, Commissioner Public Services Building	December 31, 2014

**ADMINISTRATIVE OFFICES**

Clackamas County, Oregon  
2051 Kaen Road  
Oregon City, Oregon 97045

**LEGAL COUNSEL**

Steven Madkour  
2051 Kaen Road  
Oregon City, Oregon 97045

**LIBRARY DISTRICT OF CLACKAMAS COUNTY  
(A Component Unit of Clackamas County, Oregon)**

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**REPORT OF INDEPENDENT AUDITORS**

## REPORT OF INDEPENDENT AUDITORS

Board of County Commissioners of  
Clackamas County, Oregon, as Governing Body of  
Library District of Clackamas County  
Oregon City, Oregon

We have audited the accompanying financial statements of the governmental activities, the major fund, and the budgetary comparison of the Library District of Clackamas County (the District), a component unit of Clackamas County, Oregon, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 the major fund of the District as of June 30, 2011, and the respective changes in financial position and the respective budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated **December 28, 2011** on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

James C. Lanzarotta  
For Moss Adams LLP  
Eugene, Oregon

December 28, 2011

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



**LIBRARY DISTRICT OF CLACKAMAS COUNTY  
(A Component Unit of Clackamas County, Oregon)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2012**

Management's discussion and analysis of the Library District of Clackamas County (the District) offers readers a narrative overview of financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the accompanying basic financial statements and the notes to the basic financial statements.

Oregon Revised Statutes Chapter 451 provides for the establishment of county service districts, including library services. The Clackamas County Board of Commissioners adopted its Order No. 2008-189 on November 26, 2008, which established the District as a County service district to provide a dedicated, stable funding source for library services in Clackamas County, Oregon (the County). The District's boundaries are contiguous with those of the County, excepting portions lying within the cities of Johnson City, Damascus and Tualatin.

**FINANCIAL HIGHLIGHTS**

- Assets of the District exceeded liabilities at the close of the fiscal year by \$1,110,994. This amount may be used to meet ongoing obligations.
- Net assets district-wide increased by \$412,093. Property taxes levied for operations and other revenues exceeded amounts distributed to other governments by this amount. The governmental fund reported an ending fund balance of \$375,178, an increase of \$192,087 from the prior year. Please see page 12 of the basic financial statements, which reconciles the increase in fund balance to the increase in net assets.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Statement of Net Assets and the Statement of Activities provide government-wide information for the District. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting methodology used by private sector entities. Current year revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Activities report District-wide net assets and change from prior year. Net assets are the difference between assets and liabilities and represent a measurement of financial health. Over time, increases or decreases in net assets indicate whether financial health is improving or deteriorating.

Following the government-wide financial statements are governmental fund financial statements. These statements are prepared using the current financial resources measurement focus and modified accrual basis of accounting. A reconciliation of the fund financial statements to the district-wide statements explains the differences in the two methods of reporting.

**LIBRARY DISTRICT OF CLACKAMAS COUNTY  
(A Component Unit of Clackamas County, Oregon)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2012**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The District's net assets increased for the year ended June 30, 2012. The increase arises in the excess of revenues over expenses in the Statement of Activities and flows to the Statement of Net Assets.

**Statement of Net Assets**

The Statement of Net Assets for the fiscal years ended June 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
<b>Assets:</b>		
Cash and cash equivalents	\$1,319,004	\$ 204,306
Property tax receivable	<u>857,068</u>	<u>632,916</u>
<b>Total assets</b>	<u>2,176,072</u>	<u>837,222</u>
<b>Liabilities:</b>	1,065,078	138,321
<b>Net assets:</b>		
Restricted	<u>1,110,994</u>	<u>698,901</u>
<b>Total net assets</b>	<u>\$1,110,994</u>	<u>\$ 698,901</u>

Current assets increased \$1,338,850 from prior year due to an increase in cash and assessment of property taxes. The District increased liabilities as of June 30, 2012 by \$926,757 to reflect intergovernmental payments outstanding to cities in the County's boundaries. Change in net assets is discussed in the financial highlights section.

**LIBRARY DISTRICT OF CLACKAMAS COUNTY**  
**(A Component Unit of Clackamas County, Oregon)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Statement of Activities**

Total general revenues were \$14,180,566, with \$14,129,358 in property taxes. An increase in net assets of \$412,093 is reported for 2012. Expenses were \$13,768,473, consisting entirely of distributions to other governments and agencies for library services. A schedule follows showing revenues and expenses by function and activity for 2012 and 2011, respectively:

	2012	2011
<b>General revenues:</b>		
Property taxes levied for operations	\$ 14,129,358	\$ 13,274,587
Intergovernmental	39,030	-
Earnings on investments	12,178	9,237
	14,180,566	13,283,824
<b>Total general revenues</b>		
<b>Governmental expenses:</b>		
Payments to governments for library operating funds	13,768,473	13,144,675
	412,093	139,149
<b>Change in net assets</b>		
<b>Net assets, beginning of year</b>	698,901	559,752
<b>Net assets, end of year</b>	\$ 1,110,994	\$ 698,901

Property taxes levied increased \$854,771 and payments to governments increased \$623,798 compared to the prior year. The increase is attributed to an increase in assessed property values upon which the tax is levied and which the distribution formula is based on.

**FUND AND BUDGET ANALYSIS**

The Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance are presented for the governmental fund.

The fund balance in the governmental fund increased \$192,087 during the year. Compared to budget, a positive variance of \$251,651 is reported for total revenues, due primarily to an increase in property taxes collected. Expenditures were under budget by \$1,290.

**LIBRARY DISTRICT OF CLACKAMAS COUNTY  
(A Component Unit of Clackamas County, Oregon)  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2012**

**ECONOMIC FACTORS**

Property taxes are the chief revenue source for the District; nearly 100 percent of total revenues for the year ended June 30, 2012 were property tax revenues. This District has a permanent tax rate of \$0.3974 per \$1,000 of assessed value collected from all parcels of real property within the District. In 1997's primary election, voters approved Measure 50, which was referred to the electorate by the Oregon legislature. The 1997 property tax limitation rolled back assessed values to 90 percent of 1995-96 levels, established permanent tax rates, and limited assessed value growth for individual properties to 3 percent per year. Certain taxes, such as those to pay bonded debt, were exempted from Measure 50 reductions.

**FINANCIAL CONTACT**

The financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the District's finances and to demonstrate accountability. If you have any questions about the report or need additional financial information, please contact the Clackamas County Department of Finance at 2051 Kaen Road, Oregon City, Oregon 97045-4035.

**BASIC FINANCIAL STATEMENTS**

**LIBRARY DISTRICT OF CLACKAMAS COUNTY**  
**(A Component Unit of Clackamas County, Oregon)**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	Governmental Activities
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 1,319,004
Property taxes receivable	857,068
<b>TOTAL ASSETS</b>	<b>2,176,072</b>
<b>LIABILITIES:</b>	
Accrued payable	1,065,078
<b>TOTAL LIABILITIES</b>	<b>1,065,078</b>
<b>NET ASSETS:</b>	
Restricted	1,110,994
<b>TOTAL NET ASSETS</b>	<b>\$ 1,110,994</b>

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

**LIBRARY DISTRICT OF CLACKAMAS COUNTY**  
**(A Component Unit of Clackamas County, Oregon)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**ACTIVITIES**

**GOVERNMENTAL:**

Expenses:

Payments to cities of library operating funds	\$ 10,803,742
Payments to Clackamas County for library operating funds	<u>2,964,731</u>

<b>TOTAL GENERAL EXPENDITURES</b>	<u>13,768,473</u>
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**GENERAL REVENUES:**

Property taxes levied for library operations	14,129,358
Intergovernmental	39,030
Earnings on investments	<u>12,178</u>

<b>TOTAL GENERAL REVENUES</b>	<u>14,180,566</u>
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<b>CHANGE IN NET ASSETS</b>	412,093
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<b>NET ASSETS, June 30, 2011</b>	<u>698,901</u>
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<b>NET ASSETS, June 30, 2012</b>	<u><u>\$ 1,110,994</u></u>
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The notes to the basic financial statements are an integral part of this statement.

**LIBRARY DISTRICT OF CLACKAMAS COUNTY**  
**(A Component Unit of Clackamas County, Oregon)**  
**BALANCE SHEET**  
**GOVERNMENTAL FUND**  
**JUNE 30, 2012**

**ASSETS:**

Cash and cash equivalents	\$ 1,319,004
Property taxes receivable	<u>857,068</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 2,176,072</u></u></b>

**LIABILITY AND FUND BALANCE**

**LIABILITY:**

Accrued Payable	\$ 1,065,078
Deferred revenue	<u>735,816</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,800,894</u></b>

**FUND BALANCE:**

Restricted	<u>375,178</u>
<b>TOTAL LIABILITY AND FUND BALANCE</b>	<b><u><u>\$ 2,176,072</u></u></b>

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



**LIBRARY DISTRICT OF CLACKAMAS COUNTY**  
**(A Component Unit of Clackamas County, Oregon)**  
**RECONCILIATION OF GOVERNMENTAL FUND BALANCE**  
**SHEET TO STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

<b>TOTAL FUND BALANCE</b>	\$ 375,178
Total net assets in the Statement of Net Assets is different because:	
A portion of the District's property taxes are collected after year-end, but are not available soon enough to pay for the current year's operations and therefore are not reported as revenue in the governmental fund.	
	<u>735,816</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 1,110,994</u></u>

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

**LIBRARY DISTRICT OF CLACKAMAS COUNTY  
(A Component Unit of Clackamas County, Oregon)  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2012**

<b>REVENUES:</b>	
Property taxes	\$ 13,909,352
Intergovernmental	39,030
Interest	<u>12,178</u>
<b>TOTAL REVENUES</b>	<u>13,960,560</u>
<b>EXPENDITURES:</b>	
Payments to cities for library operating funds	10,803,742
Payments to Clackamas County for library operating funds	<u>2,964,731</u>
<b>TOTAL EXPENDITURES</b>	<u>13,768,473</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>	192,087
<b>FUND BALANCE, June 30, 2011</b>	<u>183,091</u>
<b>FUND BALANCE, June 30, 2012</b>	<u><u>\$ 375,178</u></u>

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

**LIBRARY DISTRICT OF CLACKAMAS COUNTY  
(A Component Unit of Clackamas County, Oregon)  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE TO STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012**

**NET CHANGE IN FUND BALANCE** \$ 192,087

The change in net assets reported in the Statement of Activities is different because:

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 they are recognized as revenue when levied or earned.

220,006

**CHANGE IN NET ASSETS** \$ 412,093

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

**LIBRARY DISTRICT OF CLACKAMAS COUNTY  
(A Component Unit of Clackamas County, Oregon)  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET TO ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Property taxes	\$ 13,680,763	\$ 13,680,763	\$ 13,905,206	\$ 224,443
Intergovernmental	-	-	39,030	39,030
Interest	24,000	24,000	12,178	(11,822)
<b>TOTAL REVENUES</b>	<u>13,704,763</u>	<u>13,704,763</u>	<u>13,956,414</u>	<u>251,651</u>
<b>EXPENDITURES:</b>				
Payments to cities*	10,982,763	10,803,763	10,803,742	21
Payments to Clackamas County**	2,787,000	2,966,000	2,964,731	1,269
<b>TOTAL EXPENDITURES</b>	<u>13,769,763</u>	<u>13,769,763</u>	<u>13,768,473</u>	<u>1,290</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>	(65,000)	(65,000)	187,941	252,941
<b>FUND BALANCE, June 30, 2011</b>	<u>65,000</u>	<u>65,000</u>	<u>65,985</u>	<u>985</u>
<b>FUND BALANCE, June 30, 2012</b>	<u>\$ -</u>	<u>\$ -</u>	253,926	<u>\$ 253,926</u>
<b>ADJUSTMENT TO ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA (US GAAP BASIS):</b>				
Property taxes susceptible to accrual, recognized as revenue on the U.S. GAAP basis			<u>121,252</u>	
<b>FUND BALANCE (US GAAP basis), June 30, 2012</b>			<u>\$ 375,178</u>	

\*Appropriated as materials and services

\*\*Appropriated as interagency transfer

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

**LIBRARY DISTRICT OF CLACKAMAS COUNTY**  
**(A Component Unit of Clackamas County, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2012**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**The District**

The Library District of Clackamas County (the District), was formed under the provisions of Oregon Revised Statutes Chapter 451, "County Service Facilities". The District has no potential component units. As provided by ORS 451.485 the Clackamas County Board of Commissioners (the Board) is the governing body of the District. The District was organized to provide financial support to the library service providers of Clackamas County (the County) in order to operate city and County libraries. Creation of the District ensures a stable, dedicated, and long-term funding source for library services, allowing libraries to retain their educational resources and programs. The District acts as a fiscal agent, collecting property tax revenue and distributing it for the following: to provide permanent and dedicated library funding; to allow libraries to make basic repairs and library improvements; to restore all libraries' ability in the District to purchase more books and materials; and to prevent reductions in services and closure of some city libraries. Distribution is based on a formula that mandates all tax revenue collected by the District permanent rate within the city limits of each participating city will be refunded to that city to fund their public library. In addition, taxes collected by the District in unincorporated areas is distributed to all participating cities based on a per capita payment for serving unincorporated County residents. Since the County is financially accountable for and significantly influences the operations of the District, the District is included in the financial statements of the County.

**Basis of Presentation and Basis of Accounting**

**Government-wide Financial Statements**

The Statement of Net Assets and the Statement of Activities display information about the District, including all of its financial activities. Governmental activities are financed primarily through general revenue, primarily property taxes.

The Statement of Activities presents direct expenses for the District's program. The District has no program revenues. Direct expenses are those that are specifically associated with the program and, therefore, are clearly identifiable to that program.

**Fund Financial Statements**

The fund financial statements provide information about the District's only fund.

**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. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

**LIBRARY DISTRICT OF CLACKAMAS COUNTY**  
**(A Component Unit of Clackamas County, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2012**

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

**Basis of Presentation and Basis of Accounting (Continued)**

**Measurement Focus and Basis of Accounting (Continued)**

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. The District considers all revenues reported in the governmental fund to be available if they are collected within sixty days after year-end. Property taxes and interest are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, which are recognized as expenditures to the extent they have matured.

**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 may differ from those estimates.

**Cash and Cash Equivalents**

The District considers investments with maturities of three months or less when purchased to be cash equivalents.

The District's cash and cash equivalents comprise funds held and invested by the County Treasurer and the State of Oregon Treasurer's Local Government Investment Pool. Financial information required by Governmental Accounting Standards Board Statements No. 3, No. 31 and No. 40 regarding the accounting and financial reporting for the District's pooled cash and investments, held by the County Treasurer, has been disclosed in the County's Comprehensive Annual Financial Report for the year ended June 30, 2012.

**Receivables**

Real and personal property taxes are assessed and become a lien against the property as of July 1 each year, and are payable in three installments on November 15, February 15, and May 15. All property taxes receivable are due from property owners within the District.

**LIBRARY DISTRICT OF CLACKAMAS COUNTY**  
**(A Component Unit of Clackamas County, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2012**

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

**Budget**

A budget is prepared and legally adopted for the fund on the modified accrual basis of accounting, except for property taxes which are recognized on the cash basis. The budget is adopted, appropriations made, and the tax levy is declared no later than June 30<sup>th</sup> for the next fiscal year. The resolution authorizing appropriations sets the level by which expenditures cannot legally exceed appropriations. Appropriations, which are set at the principal object level, consisting of materials and services and interagency transfers are the levels of control established by the resolution. The detail budget document, however, is required to contain more specific, detailed information for the above mentioned expenditure categories. Management may make transfers of appropriations within object levels. However, transfers of appropriations between object levels require the approval of the governing body. Unexpected additional resources may be added to the budget through the use of a supplemental budget. The Board at a regular Board meeting may adopt supplemental budgets less than 10% of the fund's original budget. A supplemental budget greater than 10% of the 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 with approval by the Board. The Board made one appropriation transfer during the year. Appropriations lapse as of year-end.

**Fund Balance and Net Assets**

In the financial statements, assets in excess of liabilities are presented as either fund balances or net assets, depending on the measurement focus used for financial reporting in the fund.

Governmental funds report assets in excess of liabilities as fund balances and will be reported in the classifications that comprise a hierarchy based on the extent that the District is bound to honor those constraints on the specific purposes for which amounts in those funds can be spent.

Fund balance is reported as *Non-spendable* when the resources cannot ever be spent, whether due to legal restrictions (such as corpus), or items not spendable in form such as inventory balances or interfund loans/receivables.

Fund balance is reported as *Restricted* when the resources have legal externally enforceable restrictions, representing a spending constraint such as grants or contracts, fines and forfeitures, lender requirements, or laws and regulations of other governments.

Fund balance is reported as *Committed* when the Board of County Commissioners passes a resolution to establish a specific spending constraint on how the resources may be used. The Board can also modify or rescind the resolution through the passage of the same type of formal action employed to previously commit those amounts.



**LIBRARY DISTRICT OF CLACKAMAS COUNTY**  
**(A Component Unit of Clackamas County, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2012**

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

**Fund Balance and Net Assets (Continued)**

Fund balance is reported as *Assigned* when the County Administrator and Finance Director or designee assign portions of revenue sources or ending fund balance which are not determined to be non-spendable, restricted or committed by formal written notice. Authority is granted to the individuals by the Board of County Commissioners and such authority may only be established, modified or rescinded by the Board.

Fund balance is reported as *Unassigned* when resources are not otherwise reported as non-spendable, restricted, committed, or assigned.

When both restricted and unrestricted fund balance is available for use, the purpose for which that is restricted, it is the District's policy to use restricted fund balance first, then unrestricted fund balance as needed. When unrestricted fund balance is spent, the District will consider that committed amounts will be reduced first, followed by assigned amounts, and then unassigned amounts last.

The property taxes collected by the fund are legally restricted by special tax levy Measure 3-310, passed by the voters in November 2008, for the purpose of distributing property tax revenues raised by the District to participating local governments who operate libraries within the County. Therefore, all accumulated fund balance is restricted.

**2. RISK MANAGEMENT**

The District is exposed to various risks of loss related to errors and omissions; automobile; damage to and destruction of assets; and bodily injury for which the District and/or County carries commercial insurance. The District participates in the County's self-insurance program where not commercially insured. The District makes payments to the County's self-insurance internal service funds based on historical cost information estimates of the amounts needed to pay prior year and current year claims, claim reserves, premiums, and administrative costs of the program.

**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at June 30, 2012 are comprised of the following:

Cash and cash equivalents with County Treasurer	\$ 56,110
State of Oregon Treasurer's Local Government Investment Pool	<u>1,262,894</u>
	<u>\$ 1,319,004</u>

**LIBRARY DISTRICT OF CLACKAMAS COUNTY**  
**(A Component Unit of Clackamas County, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2012**

**3. CASH AND CASH EQUIVALENTS (Continued)**

Cash and cash equivalents represent the District's equity in pooled accounts maintained by the County Treasurer. State statutes authorize the District to invest in general obligations of the U.S. Government and in its agencies, certain bonded obligations of Oregon municipalities, certain corporate indebtedness, bank repurchase agreements, bankers' acceptances and the State of Oregon Treasurer's Local Government Investment Pool (LGIP) among others. As of June 30, 2012, and for the year then ended, the District and the County were in compliance with the aforementioned State of Oregon Statutes.

Oregon Revised Statutes require the public funds depository institution to be a participant in a multiple financial institution collateral pool administered by the Oregon State Treasurer. Reference should be made to the June 30, 2012, Clackamas County Comprehensive Annual Financial Report for compliance with these statutes.

The Oregon State Treasurer administers the LGIP. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local government in Oregon, the Oregon Legislature established the Oregon Short-Term Fund Board, which is not registered with the U.S. Securities and Exchange Commission as an investment company. The purpose of the Board is to advise the Oregon State Treasurer in the management and investment of the LGIP.

The LGIP is subject to regulatory oversight by the Oregon State Treasurer and is not required to be categorized by risk. Investments in the LGIP are stated at fair value, which approximates cost. Fair value in the LGIP is the same as the value of its pool shares.

**4. RELATED-PARTY TRANSACTIONS**

In fiscal year 2012, the County received \$2,964,731 in distributions from the District. Distributions provide for the County's Clackamas Corner Library and Oak Lodge Library. Accounting, administrative, collection of taxes and other professional services are provided by the County at no cost to the District.

**SUPPLEMENTARY INFORMATION**

**LIBRARY DISTRICT OF CLACKAMAS COUNTY**  
**(A Component Unit of Clackamas County, Oregon)**  
**SCHEDULE OF PROPERTY TAX TRANSACTIONS AND OUTSTANDING BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Tax Year	Uncollected June 30, 2011	Levy as Extended by Assessor	Discounts	Interest	Adjustments	Collections	Uncollected June 30, 2012
2011-12	\$ -	\$ 14,460,137	\$ (354,660)	\$ 6,768	\$ (47,129)	\$ (13,592,326)	\$ 472,790
2010-11	440,454	-	1,674	19,793	30,512	(258,884)	233,549
2009-10 and prior	192,462	-	1,499	15,079	(4,315)	(53,997)	-
	<u>\$ 632,916</u>	<u>\$ 14,460,137</u>	<u>\$ (351,487)</u>	<u>\$ 41,640</u>	<u>\$ (20,932)</u>	<u>\$ (13,905,207)</u>	<u>\$ 857,067</u>

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of County Commissioners of  
Clackamas County, Oregon, as Governing Body of  
Library District of Clackamas County  
Oregon City, Oregon

We have audited the financial statements of the governmental activities, the major fund, and the budgetary comparison for the Library District of Clackamas County (the District), a component unit of Clackamas County, Oregon as of and for the year ended June 30, 2012 which collectively comprise the District's basic financial statements and have issued our report thereon dated **December 28, 2011**. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. 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.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **Compliance and Other Matters**

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Audit Committee, Board of County Commissioners, management, others within the entity, and Oregon Secretary of State Audits Division, and is not intended to be and should not be used by anyone other than these specified parties.

Eugene, Oregon  
December 28, 2011

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH OREGON MINIMUM AUDITING STANDARDS**



**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *OREGON MINIMUM AUDITING STANDARDS***

Board of County Commissioners of  
Clackamas County, Oregon, as Governing Body of  
Library District of Clackamas County  
Oregon City, Oregon

We have audited the basic financial statements of the Library District of Clackamas County (the District) as of and for the year ended June 30, 2012 and have issued our report thereon dated **December 28, 2011**. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Oregon Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

**Compliance**

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The use of approved depositories to secure the deposit of public funds.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal year 2012 and 2013.
- The requirements relating to insurance and fidelity bond coverage.
- The statutory requirements pertaining to the investment of public funds.

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. The results of our test disclosed no instances of noncompliance that are required to be reported under *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Oregon Secretary of State.

## **Internal Control Over Financial Reporting**

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.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Audit Committee, Board of County Commissioners, management, others within the entity, and Oregon Secretary of State Audits Division, and is not intended to be and should not be used by anyone other than these specified parties.

For Moss Adams LLP  
Eugene, Oregon  
December 28, 2011