

# **Library District of Clackamas County**

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



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

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**For The Fiscal Year Ended June 30, 2015**

**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, 2015

Prepared by:

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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, 2015**

<u>Name</u>	<u>Term Expires</u>
John Ludlow, Chair Public Services Building	December 31, 2016
Jim Bernard, Commissioner Public Services Building	December 31, 2018
Paul Savas, Commissioner Public Services Building	December 31, 2018
Martha Schrader, Commissioner Public Services Building	December 31, 2016
Tootie Smith, Commissioner Public Services Building	December 31, 2016

**ADMINISTRATIVE OFFICES**

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

**LEGAL COUNSEL AND REGISTERED AGENT**

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**

**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, 2015**

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, 2015. 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 city of Johnson City.

**FINANCIAL HIGHLIGHTS**

- Assets of the District exceeded liabilities at the close of the fiscal year by \$2,618,502. This amount is restricted for distribution to the Library cities per the Intergovernmental agreements.
- Net Position district-wide increased by \$43,748. 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 \$1,818,557, a decrease of \$8,391 from the prior year. Please see page 11 of the basic financial statements, which reconciles the increase in fund balance to the increase in Net Position.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The Statement of Net Position 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 Position and the Statement of Activities report District-wide Net Position and change from prior year. Net Position is the difference between assets and liabilities and represents a measurement of financial health. Over time, increases or decreases in Net Position 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, 2015**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The District's Net Position increased for the year ended June 30, 2015. The increase arises in the excess of revenues over expenses in the Statement of Activities and flows to the Statement of Net Position.

**Statement of Net Position**

The Statement of Net Position for the fiscal years ended June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,703,785	\$ 1,745,635
Property tax receivable	914,717	904,119
<b>Total assets</b>	<u>2,618,502</u>	<u>2,649,754</u>
<b>Liabilities:</b>	<u>-</u>	<u>75,000</u>
<b>Net position:</b>		
Restricted	<u>2,618,502</u>	<u>2,574,754</u>
<b>Total net position</b>	<u><u>\$ 2,618,502</u></u>	<u><u>\$ 2,574,754</u></u>

Assets decreased \$31,252 from prior year due to a decrease in cash. The District decreased liabilities as of June 30, 2015 by \$75,000 which was comprised of prior year intergovernmental payments outstanding to the cities in the County's boundaries. In the current year, the distributions were paid before year end. Change in Net Position 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, 2015**

**Statement of Activities**

Total general revenues were \$15,914,307, with \$15,887,208 in property taxes. An increase in Net Position of \$43,748 is reported for 2015. Expenses were \$15,870,559, consisting entirely of distributions to other governments and agencies for library services. A schedule follows showing revenues and expenses by function and activity for 2015 and 2014, respectively:

	2015	2014
<b>General revenues:</b>		
Property taxes levied for operations	\$ 15,887,208	\$ 15,188,458
Payment in lieu of taxes	9,607	1,444
Earnings on investments	17,492	18,073
<b>Total general revenues</b>	15,914,307	15,207,975
 <b>Governmental expenses:</b>		
Payments to governments for library operating funds	15,870,559	14,703,025
<b>Change in net position</b>	43,748	504,950
 <b>Net position, beginning of year</b>	2,574,754	2,069,804
 <b>Net position, end of year</b>	\$ 2,618,502	\$ 2,574,754

Property taxes levied increased \$698,750 and payments to governments increased \$1,167,534 compared to the prior year. The increase is primarily attributed to the 3% growth allowed under Measure 47/50 and new development that occurred in the District boundaries.

**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 decreased \$8,391 during the year. Compared to budget, a positive variance of \$298,915 is reported for total revenues, due primarily to an increase in property taxes collected. Expenditures were under budget by \$1,404,871 primarily due to a payment budgeted for the City of Gladstone and not distributed per an Intergovernmental Agreement (IGA). The District is required to budget for the potential payment but can only distribute once the terms of the IGA are satisfied.

**LIBRARY DISTRICT OF CLACKAMAS COUNTY**  
**(A Component Unit of Clackamas County, Oregon)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**ECONOMIC FACTORS**

Property taxes are the chief revenue source for the District; approximately 99.8 percent of total revenues for the year ended June 30, 2015 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 less 10 percent, 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 POSITION**  
**JUNE 30, 2015**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash and cash equivalents	\$ 1,703,785
Property taxes receivable	<u>914,717</u>
<b>TOTAL ASSETS</b>	<u>2,618,502</u>
<b>NET POSITION:</b>	
Restricted for library services	<u>2,618,502</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 2,618,502</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 ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**ACTIVITIES**

**GOVERNMENTAL:**

Expenses:

Payments to cities of library operating funds	\$ 12,733,175
Payments to Clackamas County for library operating funds	<u>3,137,384</u>

<b>TOTAL GENERAL EXPENDITURES</b>	<u>15,870,559</u>
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**GENERAL REVENUES:**

Property taxes levied for library operations	15,887,208
Payment in lieu of taxes	9,607
Earnings on investments	<u>17,492</u>

<b>TOTAL GENERAL REVENUES</b>	<u>15,914,307</u>
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<b>CHANGE IN NET POSITION</b>	43,748
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<b>NET POSITION, June 30, 2014</b>	<u>2,574,754</u>
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<b>NET POSITION, June 30, 2015</b>	<u><u>\$ 2,618,502</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, 2015**

**ASSETS:**

Cash and cash equivalents	\$ 1,703,785
Property taxes receivable	<u>914,717</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 2,618,502</u></u></b>

**DEFERRED INFLOWS OF RESOURCES:**

Unavailable revenue - property taxes	<u>799,945</u>
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**TOTAL DEFERRED INFLOWS OF RESOURCES**

799,945

**FUND BALANCE:**

Restricted	<u>1,818,557</u>
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**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND  
FUND BALANCE**

**\$ 2,618,502**

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 POSITION**  
**JUNE 30, 2015**

<b>TOTAL FUND BALANCE</b>	\$ 1,818,557
Total net position in the Statement of Net Position 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>799,945</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 2,618,502</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, 2015**

<b>REVENUES:</b>	
Property taxes	\$ 15,835,069
Payment in lieu of taxes	9,607
Interest	<u>17,492</u>
<b>TOTAL REVENUES</b>	<u>15,862,168</u>
 <b>EXPENDITURES:</b>	
Payments to cities for library operating funds	12,733,175
Payments to Clackamas County for library operating funds	<u>3,137,384</u>
<b>TOTAL EXPENDITURES</b>	<u>15,870,559</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>	(8,391)
<b>FUND BALANCE, June 30, 2014</b>	<u>1,826,948</u>
<b>FUND BALANCE, June 30, 2015</b>	<u><u>\$ 1,818,557</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, 2015**

**NET CHANGE IN FUND BALANCE** \$ (8,391)

The change in net position 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.

52,139

**CHANGE IN NET POSITION** \$ 43,748

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, 2015**

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Property taxes	\$ 15,587,794	\$ 15,587,794	\$ 15,876,610	\$ 288,816
Payment in lieu of taxes	-	-	9,607	9,607
Interest	17,000	17,000	17,492	492
<b>TOTAL REVENUES</b>	<b>15,604,794</b>	<b>15,604,794</b>	<b>15,903,709</b>	<b>298,915</b>
<b>EXPENDITURES:</b>				
Payments to cities*	13,403,953	13,840,406	12,733,175	1,107,231
Payments to Clackamas County**	3,435,024	3,435,024	3,137,384	297,640
<b>TOTAL EXPENDITURES</b>	<b>16,838,977</b>	<b>17,275,430</b>	<b>15,870,559</b>	<b>1,404,871</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND NET CHANGE IN FUND BALANCE</b>	<b>(1,234,183)</b>	<b>(1,670,636)</b>	<b>33,150</b>	<b>1,703,786</b>
<b>FUND BALANCE, June 30, 2014</b>	<b>1,234,183</b>	<b>1,670,636</b>	<b>1,670,635</b>	<b>(1)</b>
<b>FUND BALANCE, June 30, 2015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1,703,785</b>	<b>\$ 1,703,785</b>
<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			114,772	
<b>FUND BALANCE (US GAAP basis), June 30, 2015</b>			<b>\$ 1,818,557</b>	

\*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, 2015**

**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 made up of a combination of two factors: first, each participating jurisdiction that operates a library located in Clackamas County received a proportionate share based on their city's assessed value. The second factor is based on the percentage of unincorporated residents served by each library as established by Library Service Area boundaries that have been agreed upon by all participants. 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 Position 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, 2015**

**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, 2015.

**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.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the balance sheet reports a separate section for *deferred outflows of resources*, which represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

**LIBRARY DISTRICT OF CLACKAMAS COUNTY**  
**(A Component Unit of Clackamas County, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

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

In addition to liabilities, the balance sheet reports a separate section for *deferred inflows of resources*, which represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue – property taxes, are a portion of the District’s property taxes that are collected after year-end and meet the recognition in future periods requirement of deferred inflows of resources.

**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 Special Payments 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 Position**

On the government-wide *Statement of Net Position*, net position is segregated into restricted and unrestricted balances. Restrictions are limitations on how the net position may be used. Restrictions may be placed on net position by an external party that provided the resources, by enabling legislation or by the nature of the asset. This amount is reported on the Statement of Net Position.

Certain revenues derived from specific taxes or other earmarked revenue sources are considered restricted assets. Such revenues include dedicated property taxes, state gas tax, intergovernmental grants, and charges for services which are legally restricted to finance particular functions or activities. Net position in these resources is reported as restricted on the *Statement of Net Position* and is recorded in the general fund supporting the specific function or operation.

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

Governmental funds report assets in excess of liabilities and deferred inflows of resources 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.

**LIBRARY DISTRICT OF CLACKAMAS COUNTY**  
**(A Component Unit of Clackamas County, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

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

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

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.

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 MANAGMENT**

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. During the past three fiscal years, no settled claims have exceeded insurance coverage levels, and there has been no significant reduction in coverage.

**LIBRARY DISTRICT OF CLACKAMAS COUNTY**  
**(A Component Unit of Clackamas County, Oregon)**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**  
**YEAR ENDED JUNE 30, 2015**

**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at June 30, 2015 are comprised of the following:

Cash and cash equivalents with County Treasurer	\$ 68,552
State of Oregon Treasurer's Local Government Investment Pool	<u>1,635,233</u>
	<u>\$ 1,703,785</u>

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, 2015, 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, 2015, 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 2015, the County received \$3,137,384 in distributions from the District. Distributions provide for the Sunnyside 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. Per Intergovernmental Agreement between Clackamas County and The City of Happy Valley, entered into on June 25, 2015, beginning in fiscal year 2015/2016, Library District funds, previously distributed to the County for Sunnyside Library operations, will be distributed directly to the City of Happy Valley.



**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, 2015**

Tax Year	Uncollected June 30, 2014	Levy as Extended by Assessor	Discounts	Interest	Adjustments	Collections	Uncollected June 30, 2015
2014-15	\$ -	\$ 16,265,102	\$ (417,054)	\$ 7,245	\$ (23,204)	\$ (15,452,739)	\$ 379,350
2013-14	390,154	-	124	16,606	(7,005)	(203,660)	196,219
2012-13	217,212	-	10	16,516	(1,024)	(93,305)	139,409
2011-12	151,771	-	20	21,165	(1,325)	(82,251)	89,380
2010-11 and Prior	144,982	-	16	12,800	(2,784)	(44,655)	110,359
	<u>\$ 904,119</u>	<u>\$ 16,265,102</u>	<u>\$ (416,884)</u>	<u>\$ 74,332</u>	<u>\$ (35,342)</u>	<u>\$ (15,876,610)</u>	<u>\$ 914,717</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 COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH OREGON MINIMUM AUDITING STANDARDS**