

HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015



12700 SW 72nd Ave.
Tigard, OR 97223

HOOD RIVER LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

2014-15

FINANCIAL REPORT

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HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

2014-15

BOARD OF DIRECTORS

TERM EXPIRES

Alexis Vaivoda, Vice President

June 2017

Mary-Ethel Foley

June 2015

Mike Oates

June 2015

Sara Duckwall Snyder

June 2017

Susanne VanOrman, President

June 2017

All Board members receive mail at the District office address below:

REGISTERED OFFICE

Buzzy Nielsen, Library Director
Hood River County Library District
502 State Street
Hood River, Oregon 97031

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HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY

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www.paulyrogersandcocpas.com

December 22, 2015

To the Board of Directors
Hood River County Library District
Hood River County, Oregon

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Hood River County Library District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the 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 fraud or error.

Auditor's Responsibility

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

Opinions

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 Hood River County Library District, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with, modified cash basis of 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

The budgetary comparison schedules presented as Supplementary Information, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary and other information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The listing of board members containing their term expiration dates, located before the table of contents, management's discussion and analysis and the other information, as listed in the table of contents, have 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 any assurance on them.

Report on Other Legal and Regulatory Requirements

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 22, 2015, on our consideration of compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Tara M. Kamp, CPA
PAULY, ROGERS AND CO., P.C.

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

As management of Hood River County Library District (the District), we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015. The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes, and variances from the budget. We encourage readers to consider the information presented here in conjunction with the District's Financial Statements and Notes to Financial Statements, which follow this Management's Discussion and Analysis.

FINANCIAL HIGHLIGHTS

During the year, the District's net position increased by \$112,289, from \$673,322 to \$785,611. At June 30, 2015, the District's governmental funds reported combined ending fund balances of \$757,180.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management has determined that the modified cash basis of accounting is appropriate for the District due to its lack of complexity and the necessity to account for, and plan for, the cash needed to operate the District.

The District's basic financial statements consist of three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to the basic financial statements.

This report also contains supplementary information in addition to the basic financial statements themselves.

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. These statements include:

The Statement of Net Position: The statement of net position presents information on all of the assets and liabilities of the District at year-end. Net position is what remains after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the District is improving or deteriorating. It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The Statement of Activities: The statement of activities presents information showing how the net position of the District changed over the year, tracking revenues, expenses and other transactions that increase or reduce net position. All changes in net position are reported at the timing of the cash flows.

In the government-wide financial statements the District's activities are shown in one category:

Governmental activities: The District's basic functions are shown here, such as personal services and materials & services. These activities are financed primarily through local, state, and federal grants, fees charged for services, intergovernmental agreements, and property taxes.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental Funds

The governmental funds are used to account for essentially the same functions reported as governmental activities, in the governmental-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. Both the governmental fund Balance Sheet & Statement of Revenues and Expenditures & Changes in Fund Balance are reconciled to the government-wide Statements of Net Position & Statement of Activities.

The District maintains three individual governmental funds (General Fund, Grants Fund, and Capital Equipment Reserve Fund).

Notes to the Basic Financial Statements

The notes provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A condensed statement of net position for 2014 and 2015 is listed below:

The revenues and expenses below explain the change in net position for the fiscal year ended June 30, 2015.

Net Position

	2014	2015
ASSETS:		
Cash and cash equivalents	\$648,098	\$757,573
Employee draws	\$1,950	\$1,800
Property Taxes Receivable	\$30,930	\$38,932
Total Assets	<u>\$680,978</u>	<u>\$798,305</u>
LIABILITIES:		
Accrued compensated absences	\$6,432	\$10,501
Payroll liabilities	\$1,224	\$2,193
Total Liabilities	<u>\$7,656</u>	<u>\$12,694</u>
NET ASSETS:		
Unrestricted	<u>\$673,322</u>	<u>\$785,611</u>

Changes in Net Position

	Activities 2013-14	% of total	Activities 2014-15	% of total
Operating Receipts:				
Charges for Services	\$12,333	1.5%	\$13,152	1.4%
Operating Grants and Contributions	\$92,173	10.8%	\$87,965	9.2%
Total Operating Receipts	<u>\$104,506</u>	12.3%	<u>\$101,117</u>	10.6%
General Receipts:				
Property Taxes	\$739,053	87.0%	\$774,662	80.9%
Interest on Investments	\$4,311	0.5%	\$3,012	0.3%
Other Revenues	\$1,666	0.2%	\$79,317	8.3%
Total General Receipts	<u>\$745,030</u>	87.7%	<u>\$856,991</u>	89.4%
Total Receipts	<u>\$849,536</u>	100.0%	<u>\$958,108</u>	100.0%
Operating Disbursements:				
General Operations	\$812,233	100.0%	\$845,819	100.0%
Total Operating Disbursements	<u>\$812,233</u>	100.0%	<u>\$845,819</u>	100.0%
Changes in Net Assets	\$37,303		\$112,289	
Net Assets, Beginning	\$636,019		\$673,322	
Net Assets, Ending	\$673,322		\$785,611	

Receipts

During the 2014-15 fiscal year, 10.4% of the cost of the District's operations were funded by operating grants and contributions, compared to 10.8% in 2013-14. The remaining 89.2% came from property taxes, user fees, intergovernmental agreements, and other sources.

Fund Financial Analysis

The focus of the governmental funds is to provide information on inflows, outflows, and balances of spendable resources. Unreserved fund balance measures the District's net resources available to spend in the next fiscal year. These amounts are available to use, in accordance with applicable restrictions on the nature of the expenditures.

As of June 30, 2015, the District's governmental funds reported combined unassigned ending fund balance of \$597,340, an increase of \$18,958 compared to 2014. It was also \$207,708 more than the \$389,632 unappropriated ending fund balance budgeted for the 2014-15 fiscal year.

The General Fund had receipts and disbursements of \$839,943 and \$770,985 respectively. Receipts decreased 5.8% and disbursements increased 6.9% over the 2013-14 fiscal year. Overall, the General Fund balance increased from \$578,382 to \$597,340.

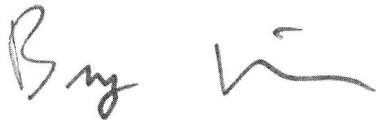
In addition, a transfer of \$50,000 was made to the Capital Equipment Reserve Fund.

The Grant Fund had receipts and disbursements of \$109,811 and \$60,670 respectively, leaving a fund balance of \$62,010.

The Capital Equipment Reserve Fund received a transfer from the General Fund of \$50,000. In addition, there was \$352 in interest revenue. Disbursements were \$10,095, leaving a fund balance of \$97,830.

Requests for Information

Our financial report is designed to provide our taxpayers, Hood River County residents, investors and creditors with an overview of the District's finances and to demonstrate District's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Hood River County Library District, 502 State Street Hood River, OR 97031, 541-387-7062, info@hoodriverlibrary.org.



Buzzy Nielsen, Library Director

Hood River County Library District

HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

BASIC FINANCIAL STATEMENTS

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HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

STATEMENT OF NET POSITION – MODIFIED CASH BASIS
June 30, 2015

ASSETS

Cash and cash equivalents	\$ 757,573
Employee draws	1,800
Property taxes receivable	<u>38,932</u>
 Total Assets	 <u>798,305</u>

LIABILITIES:

Payroll liabilities	2,193
Compensated absences	<u>10,501</u>
 Total Liabilities	 <u>12,694</u>

NET POSITION:

Unrestricted	<u>785,611</u>
 Total Net Position	 <u><u>\$ 785,611</u></u>

See accompanying notes to basic financial statements

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HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS
 For the Year Ended June 30, 2015

<u>FUNCTIONS</u>	<u>DISBURSEMENTS</u>	<u>PROGRAM RECEIPTS</u>		<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	
General Operations	\$ 845,819	\$ 13,152	\$ 87,965	\$ (744,702)
Total Governmental Activities	<u>\$ 845,819</u>	<u>\$ 13,152</u>	<u>\$ 87,965</u>	<u>(744,702)</u>
General Receipts:				
Property taxes				774,662
Interest and investment earnings				3,012
Other receipts				<u>79,317</u>
Total General Receipts				<u>856,991</u>
Changes in Net Position				112,289
Net Position - Beginning				<u>673,322</u>
Net Position - Ending				<u>\$ 785,611</u>

See accompanying notes to basic financial statements

HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

BALANCE SHEET – MODIFIED CASH BASIS – GOVERNMENTAL FUNDS
 June 30, 2015

	GENERAL	GRANTS FUND	CAPITAL EQUIPMENT RESERVE FUND	TOTAL
ASSETS:				
Cash and investments	\$ 597,733	\$ 62,010	\$ 97,830	\$ 757,573
Employee draws	1,800	-	-	1,800
Property taxes receivable	38,932	-	-	38,932
Total Assets	\$ 638,465	\$ 62,010	\$ 97,830	\$ 798,305
 LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE:				
Liabilities:				
Payroll liabilities	\$ 2,193	\$ -	\$ -	\$ 2,193
Total Liabilities	2,193	-	-	2,193
 Deferred Inflows:				
Unavailable revenue	38,932	-	-	38,932
Total Deferred Inflows	38,932	-	-	38,932
 Fund Balance:				
Assigned	-	62,010	97,830	159,840
Unassigned	597,340	-	-	597,340
Total Fund Balance	597,340	62,010	97,830	757,180
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 638,465	\$ 62,010	\$ 97,830	\$ 798,305

See accompanying notes to basic financial statements

HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2015

Total Fund Balances - Governmental Funds	\$	757,180
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's disbursements, and therefore are unavailable in the funds.		38,932
Accrued compensated absences are not due and payable in the current period and accordingly are not reported as a fund liability.		<u>(10,501)</u>
Net Position	\$	<u><u>785,611</u></u>

See accompanying notes to basic financial statements

HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES – MODIFIED CASH BASIS –
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	<u>GENERAL</u>	<u>GRANTS FUND</u>	<u>CAPITAL EQUIPMENT RESERVE FUND</u>	<u>TOTAL</u>
RECEIPTS:				
From Local Sources:				
Taxes	\$ 774,662	\$ -	\$ -	\$ 774,662
Earnings On Investments	2,660	-	352	3,012
Donations and Grants	325	87,640	-	87,965
Other Local Sources	62,296	22,171	-	84,467
Total Receipts	<u>839,943</u>	<u>109,811</u>	<u>352</u>	<u>950,106</u>
DISBURSEMENTS:				
Personal Services	503,239	24,997	-	528,236
Materials and Services	267,746	35,673	-	303,419
Capital Outlay	-	-	10,095	10,095
Total Disbursements	<u>770,985</u>	<u>60,670</u>	<u>10,095</u>	<u>841,750</u>
Excess of Receipts Over, (Under) Disbursements	68,958	49,141	(9,743)	108,356
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	50,000	50,000
Transfers Out	(50,000)	-	-	(50,000)
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>	<u>-</u>
Net Change in Fund Balance	18,958	49,141	40,257	108,356
Fund Balance, Beginning	<u>578,382</u>	<u>12,869</u>	<u>57,573</u>	<u>648,824</u>
Fund Balance, Ending	<u>\$ 597,340</u>	<u>\$ 62,010</u>	<u>\$ 97,830</u>	<u>\$ 757,180</u>

See accompanying notes to basic financial statements

HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

Reconciliation of the Governmental Funds
Statement of Receipts, Disbursements, and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2015

Total Net Changes in Fund Balances - Governmental Funds	\$	108,356
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's disbursements, and therefore are unavailable in the funds.		8,002
Compensated absences are recognized as expenditures in the governmental funds when they are paid. In the Statement of Activities, these liabilities are recognized as expenditures when earned.		<u>(4,069)</u>
Change in Net Position of Governmental Activities	\$	<u><u>112,289</u></u>

See accompanying notes to basic financial statements

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HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Hood River County Library District (the District) have been prepared on the modified cash basis which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies are described below.

A. THE FINANCIAL REPORTING ENTITY

The District is a municipal corporation established under ORS 357 and 198, and is governed by an elected five member board. Generally accepted accounting principles in the United States of America require that these basic financial statements present the District (the primary government) and all component units, if any. Component units, as established by the Government Accounting Standards Board (GASB) Statement No. 61, are separate organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District and a financial benefit/burden. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the basic financial statements. There are no component units.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

Financial operations are accounted for in the following funds:

GENERAL FUND

This fund accounts for all financial receipts and disbursements, except those required to be accounted for in another fund. The principal revenue source is property taxes.

GRANTS FUND

This fund accounts for revenue and expenditures for specific educational projects or programs. Principal revenue sources are donations and grants.

CAPITAL EQUIPMENT RESERVE FUND

The capital projects fund accounts for all resources to be used for the construction or acquisitions of designated capital assets.

C. BASIS OF ACCOUNTING

The modified cash basis of accounting is followed. Under the modified cash basis of accounting, receipts are recorded when received and disbursements are recorded as paid in cash or by check. Modifications to the cash basis include: (1) Property taxes uncollected at year-end are shown as a receivable but are not included in receipts, and are offset by a liability entitled unavailable property taxes receivable, and (2) payroll-related items are considered to be a liability when incurred. This basis of accounting is applied to both the government-wide financial statements and the fund financial statements uniformly.

HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF ACCOUNTING (CONTINUED)

This basis of accounting is not equivalent to the generally accepted accounting principles (GAAP) basis of accounting. Under GAAP the fund financial statements require that revenues be recorded as they become susceptible to accrual (i.e. when they become measurable and available) and expenditures recorded as goods and services received. For the government-wide statements GAAP requires that the accrual basis of accounting be applied. Under the accrual basis of accounting the cost of capital assets are capitalized and depreciated over their estimated useful lives, debt is recorded as incurred, revenues are recorded when earned irrespective of the collection of cash, and expenses, including depreciation, are recorded when incurred. Management believes the modified cash basis of accounting is preferable due to the District's small size and the necessity of assessing available cash resources. The modified cash basis of accounting is allowed under Oregon Local Budget Law (ORS 294.445).

D. GOVERNMENT-WIDE FUND FINANCIAL STATEMENTS

The government-wide statements report information irrespective of fund activity.

The statement of activities demonstrates the degree to which the direct disbursement of a given function or segments is offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts 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 receipts are reported instead as general receipts.

E. BUDGET

A budget is prepared and legally adopted for each fund on the modified cash basis of accounting in the main program categories required by the Oregon Local Budget Law. The budget process begins early in each fiscal year with the establishment of the budget committee. Recommendations are developed through late winter with the budget committee approving the budget in early spring. Public notices of the budget hearing are published generally in early spring with a public hearing being held approximately three weeks later. The Board may amend the budget prior to adoption; however, budgeted disbursements for each fund may not be increased by more than ten percent. The budget is adopted and appropriations are made no later than June 30.

Disbursement budgets are appropriated at the following levels for each fund:

LEVEL OF CONTROL

Personal Services
Materials and Services
Capital Outlay
Operating Contingency
Transfers

HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. BUDGET (CONTINUED)

Disbursements cannot legally exceed the appropriation levels. Appropriations lapse at fiscal year end. Supplemental appropriations may occur if the board approves them due to a need which was not determined at the time the budget was adopted.

Budget amounts shown in the financial statements reflect the original and final budgeted amounts. Disbursements of the various funds were within authorized appropriations for the year ended June 30, 2015.

F. PROPERTY TAXES RECEIVABLE

Ad valorem property taxes are a lien on all taxable property as of July 1. Property taxes are payable on November 15. Collection dates are November 15, February 15, and May 15. Discounts are allowed if the amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent by management.

Uncollected property taxes are shown in the combined balance sheet. Uncollected taxes are deemed by management to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. The remaining balance of taxes receivable is recorded as unavailable revenue because it is not deemed available to finance operations of the current period.

G. ACCRUED COMPENSATED ABSENCES

It is Hood River County Library District policy to permit employees to accumulate earned but unused vacation time. Liabilities for unused vacation pay are recorded in the Statement of Net Position when vested or earned by employees. A liability for these amounts is reported in governmental funds only if it has matured, for example, because of employee resignations or retirements.

H. UNAVAILABLE REVENUES

Property taxes receivable are recorded as assets, but are offset by a corresponding unavailable revenues liability and, accordingly, have not been recognized as revenue in the governmental funds.

I. RETIREMENT PLANS

All of the full time employees are participants in the District's 403(b) plan. Contributions to the 403(b) plan are made on a current basis as required by the plan and are charged to disbursements as funded.

HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. FUND BALANCE

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications – nonspendable, restricted, committed, assigned, and unassigned.

- Nonspendable fund balance represents amounts that are not in a spendable form.
- Restricted fund balance represents amounts that are legally restricted by outside parties for a specific purpose (such as debt covenants, grant requirements, donor requirements, or other governments) or are restricted by law (constitutionally or by enabling legislation).
- Committed fund balance represents funds formally set aside by the governing body for a particular purpose. The use of committed funds would be approved by resolution.
- Assigned fund balance represents amounts that are constrained by the expressed intent to use resources for specific purposes that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or by an official to whom that authority has been given by the governing body. Authority has not been assigned.
- Unassigned fund balance is the residual classification of the General Fund. Only the General Fund may report a positive unassigned fund balance. Other governmental funds would report any negative residual fund balance as unassigned.

There were no nonspendable, restricted and committed fund balances at year end.

The following order of spending is used regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable) and unassigned.

K. INTERFUND TRANSACTIONS

Transactions that constitute reimbursements to a fund for disbursements initially made from it that are properly applicable to another fund are recorded as disbursements in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. Operating interfund transactions are reported as transfers.

L. ESTIMATES

The preparation of financial statements in conformity with modified cash basis of accounting 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 financial statements and the reported amounts of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has one type of item, which arises under modified cash basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

2. CASH AND INVESTMENTS

DEPOSITS

Deposits with financial institutions include bank demand deposits. Oregon Revised Statutes require deposits to be adequately covered by federal depository insurance or deposited at an approved depository as identified by the Treasury.

CREDIT RISK – DEPOSITS

In the case of deposits, this is the risk that in the event of a bank failure, deposits may not be returned. As of June 30, 2015, all of the bank balance of \$81,201 was insured by FDIC.

INVESTMENTS

State statutes governing cash management are followed. Statutes authorize investing in banker's acceptances, time certificates of deposit, repurchase agreements, obligations of the United States and its agencies and instrumentalities, and the Hood River County's Investment Pool.

Cash and Investments at June 30, 2015, (recorded at fair value) consisted of:

	2015
Bank Demand Deposits - Checking	\$ 72,471
Investments	684,686
Petty Cash	416
	<hr/>
Total	\$ 757,573
	<hr/> <hr/>

HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (CONTINUED)

<u>Investment Type</u>	<u>Investment Maturities (in months)</u>		
	<u>Fair Value</u>	<u>Less than 3</u>	<u>More than 3</u>
Hood River County's Investment Pool	\$ 684,686	\$ 684,686	\$ -
Total	\$ 684,686	\$ 684,686	\$ -

INTEREST RATE RISK

Oregon Revised Statutes require investments to not exceed a maturity of 18 months, except when the local government has adopted a written investment policy that was submitted to and reviewed by the OSTFB. There were no investments that have a maturity date beyond three months.

CREDIT RISK

Oregon Revised Statutes does not limit investments as to credit rating for securities purchased from US Government Agencies or USGSE.

CONCENTRATION OF CREDIT RISK

At June 30, 2015, 100% of total investments were in the Hood River County's Investment Pool. State statutes do not limit the percentage of investments in either of these instruments. Oregon Revised Statutes require no more than 25 percent of the moneys of local government to be invested in bankers' acceptances of any qualified financial institution. At June 30, 2015, there was compliance with all percentage restrictions.

3. DEFERRED COMPENSATION PLAN

Employees are offered a deferred compensation plan created in accordance with Internal Revenue Code Section 457. An employee may enter into an agreement to defer a portion of their compensation, subject to certain limitations provided by law, by means of payroll deduction. Contributions to the plan and earnings thereon are deferred until the employee is separated from service. The District has no liability for losses under the plan. A third party holds the assets for the exclusive benefit of plan participants and their beneficiaries.

4. RISK MANAGEMENT

There is exposure 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. Commercial insurance is purchased to minimize exposure to these risks. Settled claims have not exceeded this commercial coverage for any of the past three years.

5. PROPERTY TAX LIMITATIONS

The State of Oregon imposes a constitutional limit on property taxes for schools and non-school government operations. The limitation provides that property taxes for non-school operations are limited to \$10.00 for each \$1,000 of property market value. This limitation does not apply to taxes levied for principal and interest on general obligation bonded debt.

HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

NOTES TO BASIC FINANCIAL STATEMENTS

5. PROPERTY TAX LIMITATIONS (CONTINUED)

The State further reduced property taxes by replacing the previous constitutional limits on tax bases with a rate and value limit in 1997. This reduction was accomplished by rolling property values back to their 1995-96 values less 10% and limiting future tax value growth of each property to no more than 3% per year, subject to certain exceptions. Taxes levied to support bonded debt are exempted from the reductions. The State Constitution sets restrictive voter approval requirements for most tax and many fee increases and new bond issues.

6. POSTEMPLOYMENT LIABILITY

Management has determined, based upon the District's small impact on the state wide pool, that no material implicit rate subsidy exists and therefore is no OPEB obligation for implicit post-employment benefits.

7. OPERATING LEASES

The District has four operating leases – the first operating lease began in the 2011-2012 fiscal year. The District entered into a lease agreement with ABS Finance to lease a copier for 60 months. The yearly payment is \$840 and the lease term is 5 years.

The second lease is with Parkdale Community Center for the space currently used for the Parkdale Branch Library. The lease term ends in 2016 and has a yearly payment of \$1,600.

The third lease the District entered into is a lease with Hood River County for the Hood River library building. The yearly payment is \$500 and the lease term is 5 years.

The fourth lease the District entered into is a lease with the City of Cascade Locks for the Cascade Locks Library Branch of the Hood River County Library District. The yearly payment is \$1,600 and lease term is on a year-to-year basis. At June 30, 2015, the total lease expense was \$4,540.

Future lease payments are as follows:

<u>FYE</u>	<u>Minimum Payment</u>
2015-16	\$ 4,540
Total	<u>\$ 4,540</u>

8. INTERFUND TRANSFERS

Operating transfers between funds were made to fund various programs and activities as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 50,000
Capital Equipment Reserve Fund	50,000	-
	<u>\$ 50,000</u>	<u>\$ 50,000</u>

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HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

SUPPLEMENTARY INFORMATION

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HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE –
 MODIFIED CASH BASIS – ACTUAL AND BUDGET
 For the Year Ended June 30, 2015

GENERAL FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL BUDGET
RECEIPTS:				
Property Taxes	\$ 749,957	\$ 749,957	\$ 774,662	\$ 24,705
Interest	4,000	4,000	2,660	(1,340)
Fees & Fines	10,000	10,000	13,152	3,152
Donations and Grants	500	500	325	(175)
Miscellaneous	62,875	62,875	49,144	(13,731)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts	\$ 827,332	\$ 827,332	\$ 839,943	\$ 12,611

HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE –
MODIFIED CASH BASIS – ACTUAL AND BUDGET
For the Year Ended June 30, 2015

GENERAL FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
DISBURSEMENTS:				
Personal Services	\$ 560,406	\$ 560,406 (1)	\$ 503,239	\$ 57,167
Materials and Services	290,468	290,468 (1)	267,746	22,722
Contingency	100,000	100,000 (1)	-	100,000
	<u>950,874</u>	<u>950,874</u>	<u>770,985</u>	<u>179,889</u>
Total Disbursements				
Excess of Receipts Over, (Under) Disbursements	(123,542)	(123,542)	68,958	192,500
OTHER FINANCING SOURCES (USES)				
Transfers Out	(50,000)	(50,000) (1)	(50,000)	-
	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total Other Financing Sources, (Uses)				
Net Change in Fund Balance	(173,542)	(173,542)	18,958	192,500
Fund Balance - Beginning	500,402	500,402	578,382	77,980
Fund Balance - Ending	<u>\$ 326,860</u>	<u>\$ 326,860</u>	<u>\$ 597,340</u>	<u>\$ 270,480</u>

(1) Appropriation Level

HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE –
MODIFIED CASH BASIS – ACTUAL AND BUDGET
For the Year Ended June 30, 2015

<u>GRANTS FUND</u>				
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
RECEIPTS:				
Donations and Grants	\$ 294,000	\$ 294,000	\$ 87,640	\$ (206,360)
Intergovernmental Revenue	-	-	22,171	22,171
Total Receipts	<u>294,000</u>	<u>294,000</u>	<u>109,811</u>	<u>(184,189)</u>
DISBURSEMENTS:				
Personal Services:	28,068	28,068 (1)	24,997	3,071
Materials and Services	45,000	45,000 (1)	35,673	9,327
Capital Outlay	225,000	225,000 (1)	-	225,000
Total Disbursements	<u>298,068</u>	<u>298,068</u>	<u>60,670</u>	<u>237,398</u>
Net Change in Fund Balance	(4,068)	(4,068)	49,141	53,209
Fund Balance - Beginning	<u>8,440</u>	<u>8,440</u>	<u>12,869</u>	<u>4,429</u>
Fund Balance - Ending	<u><u>\$ 4,372</u></u>	<u><u>\$ 4,372</u></u>	<u><u>\$ 62,010</u></u>	<u><u>\$ 57,638</u></u>

(1) Appropriation Level

HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE –
 MODIFIED CASH BASIS – ACTUAL AND BUDGET
 For the Year Ended June 30, 2015

CAPITAL EQUIPMENT RESERVE FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET</u>
RECEIPTS:				
Interest Revenue	\$ 400	\$ 400	\$ 352	\$ (48)
Total Receipts	<u>400</u>	<u>400</u>	<u>352</u>	<u>(48)</u>
DISBURSEMENTS:				
Capital Outlay	<u>60,000</u>	<u>60,000 (1)</u>	<u>10,095</u>	<u>49,905</u>
Total Disbursements	<u>60,000</u>	<u>60,000</u>	<u>10,095</u>	<u>49,905</u>
Excess of Receipts Over, (Under) Disbursements	(59,600)	(59,600)	(9,743)	49,857
OTHER FINANCING SOURCES (USES)				
Transfers In	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total Other Financing Sources, (Uses)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net Change in Fund Balance	(9,600)	(9,600)	40,257	49,857
Fund Balance - Beginning	<u>58,000</u>	<u>58,000</u>	<u>57,573</u>	<u>(427)</u>
Fund Balance - Ending	<u>\$ 48,400</u>	<u>\$ 48,400</u>	<u>\$ 97,830</u>	<u>\$ 49,430</u>

(1) Appropriation Level

HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

SCHEDULE OF PROPERTY TAX TRANSACTIONS AND BALANCES
OF TAXES UNCOLLECTED
For the Year Ended June 30, 2015

<u>GENERAL FUND</u>						
<u>TAX YEAR</u>	<u>ORIGINAL LEVY OR BALANCE UNCOLLECTED AT JULY 1, 2014</u>	<u>DEDUCT DISCOUNTS</u>	<u>ADJUSTMENTS TO ROLLS</u>	<u>ADD INTEREST</u>	<u>CASH COLLECTIONS BY COUNTY TREASURER</u>	<u>BALANCE UNCOLLECTED OR UNSEGREGATED AT JUNE 30, 2015</u>
Current:						
2014-15	\$ 792,568	\$ 20,087	\$ (1,529)	\$ 357	\$ 752,672	\$ 18,280
Prior Years:						
2013-14	16,261	510	(132)	562	7,480	8,139
2012-13	8,788	353	(127)	502	2,558	5,750
2011-12	5,881	239	4,172	987	3,051	6,763
2010-11	-	-	-	-	-	-
2009-10 & Prior	-	-	-	-	-	-
Total Prior	30,930	1,102	3,913	2,051	13,089	20,652
Total	\$ 823,498	\$ 21,189	\$ 2,384	\$ 2,408	\$ 765,761	\$ 38,932

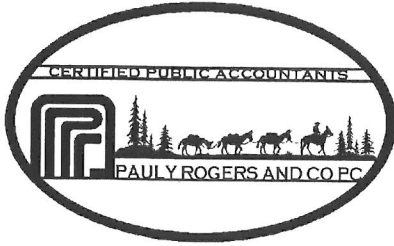
RECONCILIATION TO REVENUE:	<u>GENERAL FUND</u>
Cash Collections by County Treasurers Above	\$ 765,761
Accrual of Receivables:	
Taxes in Lieu	8,901
Total Revenue	\$ 774,662

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HOOD RIVER COUNTY LIBRARY DISTRICT
HOOD RIVER COUNTY, OREGON

INDEPENDENT AUDITORS' REPORT REQUIRED BY OREGON STATE REGULATIONS

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December 22, 2015

Independent Auditors' Report Required by Oregon State Regulations

We have audited the basic financial statements of the Hood River County Library District as of and for the year ended June 30, 2015, and have issued our report thereon dated December 22, 2015. 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 financial statements are free of material misstatement, we performed tests of 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).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the Hood River County Library District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the internal controls over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal controls over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal controls over financial reporting.

This report is intended solely for the information and use of the Board of Directors and management and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in black ink, reading "Tara M. Kamp, CPA". The signature is written in a cursive, flowing style.

Tara M. Kamp, CPA
PAULY, ROGERS AND CO., P.C.