

**JACKSON COUNTY LIBRARY DISTRICT
(Jackson County, Oregon)**

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2015



**JACKSON COUNTY LIBRARY DISTRICT
(Jackson County, Oregon)**

DISTRICT OFFICIALS

JUNE 30, 2015

BOARD MEMBERS

Jill Turner – President
Ashland, Oregon

Monica Weyhe – Vice President
Central Point, Oregon

Carol Doty
Medford, Oregon

Susan Kiefer
Prospect, Oregon

Maureen Swift
Medford, Oregon

ADMINISTRATION

Lisa Marston
Executive Administrator

Tammy Westergard
Library Director

**JACKSON COUNTY LIBRARY DISTRICT
(Jackson County, Oregon)**

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YEAR ENDED JUNE 30, 2015

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Certified Public Accountants
and Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Library Board
Jackson County, Oregon

We have audited the accompanying financial statements of the governmental activities and the major funds of the Jackson County Library District, Jackson County, Oregon, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Jackson County Library District, Jackson County, Oregon as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

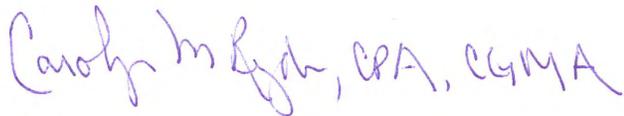
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3-7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of

America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jackson County Library District, Jackson County, Oregon's basic financial statements. The schedule of property tax transactions are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of property tax transactions are the responsibility of management and were derived from and relate 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 schedule of property tax transactions are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Carolyn M. Ryder

For Isler Medford, LLC

Medford, Oregon

March 25, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

JACKSON COUNTY LIBRARY DISTRICT
(Jackson County, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

As management of Jackson County Library District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the period from inception on July 1, 2014 to June 30, 2015. We encourage readers to consider the information presented here in conjunction with the balance of information presented in this report.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded liabilities as June 30, 2015 by \$3,059,154. Of this amount \$2,880,956 is unrestricted and \$178,198 is restricted permanently by the donors.
- Total net position at the end of the first year of operation was \$3,059,154. This increase is due to the formation of the District on July 1, 2014. The District's largest revenue source is property taxes. For the fiscal year 2015 the District recognized \$9,130,091 in property taxes. The District's property tax rate is \$.52 per \$1,000 of assessed value. Total expenses for the District in the first year were \$6,896,372. All of the District's expenses were used to support Library operations.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. 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.

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 fiscal year-end. Net assets are what remain after the liabilities have been paid or otherwise satisfied. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities. The statement of activities presents information showing how the net assets of the District changed over the year by tracking revenues, expenses and other transactions that increase or reduce net assets. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

**JACKSON COUNTY LIBRARY DISTRICT
(Jackson County, Oregon)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

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

- *Library services:* The District's basic functions are shown here, such as contracted services for library operations, library collections, software, maintenance and utilities. These activities are primarily financed through property taxes.

Fund financial statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the Library 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. The District funds are governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance are reconciled to the government-wide Statements of Net Position and Activities.

**JACKSON COUNTY LIBRARY DISTRICT
(Jackson County, Oregon)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

Notes to the basic financial statements

These notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 14-21 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's compliance with the Oregon Minimum Standards for Audits of Oregon Municipal Corporations. The supplementary information is included in this report.

Financial Analysis of the District

Net position may serve as a useful indicator of a government's financial condition. As noted earlier, the District's total assets exceeded its liabilities by \$3,059,154. At the end of the fiscal year, the District is able to report positive balances in each category of net position. The following statements summarize the District's net position at June 30, 2015.

**JACKSON COUNTY LIBRARY DISTRICT
(Jackson County, Oregon)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

Statement of Net Position

Cash and investments	\$ 1,449,235
Receivables	<u>1,652,357</u>
Total assets	<u>3,101,592</u>
Current Liabilities	<u>42,438</u>
Net position:	
Unrestricted	2,880,956
Restricted- permanent	<u>178,198</u>
Total net position	<u>\$ 3,059,154</u>

Changes in Net Position

Revenues

Program revenues:

Fees, fines and charges for services	\$548,827
Operating grants and contributions	331,004

General revenues:

Property taxes	8,816,515
Interest and investment earnings	34,190
Restricted revenues- transfers in	224,990
Total revenues	<u>\$9,955,526</u>

Expenses

Library services and operations

Total expenses	<u>\$6,896,372</u>
	<u>6,896,372</u>

Increase in net position	3,059,154
Beginning fund net position	-
Ending fund net position	<u>\$3,059,154</u>

**JACKSON COUNTY LIBRARY DISTRICT
(Jackson County, Oregon)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

Financial Analysis of the District's Governmental Funds

As noted earlier, the District uses Fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District's governmental fund provides information on near-term inflows, outflows and balances of spendable resources. Unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year.

General Fund Budgetary Highlights

This is the first year of operation of the Library District. Prior to July 1, 2014 the Library District was a component unit of Jackson County and was included in the budget for Jackson County. Since the Library District was not formed or approved until late May, 2014 Jackson County included the operations of the Library in their fiscal 2014-2015 budget. Oregon Municipal budget law did not require the Library District to create a budget after formation so they operated under the budget prepared by Jackson County and did not adopt their own budget. Because of this there are no financial reports included in this financial report showing budgeted numbers.

Economic Factors and Budget Information for Next Year

The District's adopted revenues for fiscal year 2016 total \$12,540,000. Of this total \$9,050,000 comes from property taxes which represent 72% of the total. Property tax revenues are the single largest source of revenue for the District.

The Library District's 2015/2016 budget includes plans for the following high impact services:

- The District contracts with Library Services and Systems (LSSI) to provide Library operations for the 15 library branches in Jackson County. The total budgeted for this in fiscal year 2016 is \$6,465,000.
- Provide for updating of technology in the branches including upgrading computers, internet speed, computer network, monitors and printers. The total budgeted for this in fiscal year 2016 is \$347,000
- The 2015/2016 budget includes a budgeted ending fund balance of \$3,174,250.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Jackson County Library District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Lisa Marston, Executive Administrator, Jackson County Library District, PO Box 3275, Central Point, Oregon 97502.

BASIC FINANCIAL STATEMENTS

JACKSON COUNTY LIBRARY DISTRICT
(Jackson County, Oregon)

STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,449,235
Property taxes receivable	313,576
Due from Jackson County	<u>1,338,781</u>
TOTAL ASSETS	<u>3,101,592</u>
LIABILITIES	
Accounts payable	<u>42,438</u>
TOTAL LIABILITIES	<u>42,438</u>
NET POSITION	
Restricted	
Restricted - permanent	178,198
Unrestricted	<u>2,880,956</u>
TOTAL NET POSITION	<u>\$ 3,059,154</u>

**JACKSON COUNTY LIBRARY DISTRICT
(Jackson County, Oregon)**

STATEMENT OF ACTIVITIES

For the period from inception on July 1, 2014 to June 30, 2015

	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Assets
Governmental Activities				
Library services	\$ 6,896,372	\$ 548,827	\$ 331,004	\$ (6,016,541)
Total governmental activities	\$ 6,896,372	\$ 548,827	\$ 331,004	\$ (6,016,541)
		Property taxes		8,816,515
		Interest		34,190
		Restricted revenue - transfers in		224,990
			Total general revenues	9,075,695
			Change in Net Position	3,059,154
			Net Position - Beginning of year	-
			Net Position - End of year	\$ 3,059,154

**JACKSON COUNTY LIBRARY DISTRICT
(Jackson County, Oregon)**

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015**

Unrestricted:	
Cash and cash equivalents	\$ 1,271,037
Property taxes receivable	313,576
Due from Jackson County	1,338,781
Restricted:	
Cash and cash equivalents	<u>178,198</u>
Total assets	<u><u>\$ 3,101,592</u></u>
 Liabilities	
Accounts payable	\$ <u>42,438</u>
Total liabilities	<u>42,438</u>
 Deferred Inflows of Resources	
Unavailable property taxes	<u>244,958</u>
 Fund balances	
Restricted - permanent	178,198
Unassigned	<u>2,635,998</u>
Total fund balances	<u><u>2,814,196</u></u>
 Total liabilities and fund balances	<u><u>\$ 3,101,592</u></u>

JACKSON COUNTY LIBRARY DISTRICT
(Jackson County, Oregon)
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2015

Total fund balance- Governmental Fund	\$ 2,814,196
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Amounts reported for governmental activities in the statement of net position are different because:

Deferred inflows represent amounts that were not available to fund current expenditures and therefore are not reported in the governmental funds.

Property taxes	<u>\$ 244,958</u>
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Net Position of Governmental Activities	<u>\$ 3,059,154</u>
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**JACKSON COUNTY LIBRARY DISTRICT
(Jackson County, Oregon)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCES - GOVERNMENTAL FUNDS**

**Governmental Funds
For the period from inception on July 1, 2014 to June 30, 2015**

	<u>General Fund</u>
Revenues	
Property taxes	\$ 8,571,557
Interest	34,190
Fines and fees	162,662
Charges for services	386,165
Grants and donations	331,004
Restricted revenues - transfer in from County	<u>224,990</u>
Total revenues	<u>9,710,568</u>
Expenditures	
Library services	<u>6,896,372</u>
Total expenditures	<u>6,896,372</u>
Net change in fund balance	2,814,196
Fund balance - beginning	-
Fund balance - ending	<u>\$ 2,814,196</u>

JACKSON COUNTY LIBRARY DISTRICT
(Jackson County, Oregon)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the period from inception on July 1, 2014 to June 30, 2015

Net changes in fund balances - Governmental Fund	\$ 2,814,196
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Amounts reported for governmental activities in the statement of net position are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Increase in deferred inflows of resources - property taxes	<u>244,958</u>
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Change in net position of governmental activities	<u>\$ 3,059,154</u>
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JACKSON COUNTY LIBRARY DISTRICT
(Jackson County, Oregon)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District

The Jackson County Library District (the District) is a municipal corporation governed by a five member Board of Directors.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant policies of the District are described below.

Financial Reporting Entity

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

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

Based on the aforementioned criteria, the District has no component units and is not a component unit of any other entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. The primary focus of the District is to provide library services to the citizens of Jackson County. Significant interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the expenses of the District are offset by program revenues. *Program revenues* include: 1) charges to users or applicants who purchase, use or directly benefit from goods, services or privileges and 2) grants and contributions that are restricted for operational or capital requirements. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

**JACKSON COUNTY LIBRARY DISTRICT
(Jackson County, Oregon)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

When both restricted and unrestricted resources are available it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Major individual governmental funds are reported as separate columns in the fund financial statements. The District has designated all of its funds as major funds.

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 or fund balance that applies to a future period(s) and thus, 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. These consist of, unavailable revenue, which is reported in the governmental funds balance sheet and deferred inflows of resources, which is reported in the government wide statement of net position. Deferred inflows of resources reported in the governmental funds for unavailable revenues relate to property tax revenue.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met. It is the District's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

JACKSON COUNTY LIBRARY DISTRICT
(Jackson County, Oregon)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

The governmental fund financial statements are reported using a current resources measurement focus and the modified accrual basis of accounting. Under this method, revenues, when material, are recognized when susceptible to accrual (measurable and available to finance expenditures of the current period). Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes available if they are collected within 60 days after year-end.

Expenditures are recorded at the time liabilities are incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The basis of accounting described above is in accordance with accounting principles generally accepted in the United States of America as promulgated for state and local government units.

Cash and Investments

Cash and investments include amounts in demand deposits and the Oregon Local Government Investment Pool (LGIP). Investments with maturities over three months are not considered to be cash. The cash balances of all funds are pooled. All cash was held by Jackson County as of June 30, 2015.

Property Taxes

Property taxes are levied on all taxable property as of January 1. Property taxes become a lien on July 1. Collection dates are November 15, February 15 and May 15. Discounts are allowed if the full amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results may differ.

JACKSON COUNTY LIBRARY DISTRICT
(Jackson County, Oregon)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Net Position

Net position is reported on the Statement of Net Position. Net position represents the difference between assets and liabilities. The restricted component of net position consists of funds transferred to the District upon inception that have restrictions by the donor on how they are spent, Amounts reported as unrestricted consists of assets that do not meet the definition of restricted as noted. Unrestricted include property taxes, fines, fees and charges for services that do not carry any constraints on spending.

Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54)*.

This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

1. *Nonspendable*, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),
2. *Restricted* fund balance category includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers or through enabling legislation,
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's governing board (the District's highest level of decision-making authority),
4. *Assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

JACKSON COUNTY LIBRARY DISTRICT
(Jackson County, Oregon)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the district considers restricted funds to have been spent first. For the classification of unrestricted ending fund balance, the district first reduces assigned amounts, then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those classifications could be used.

Appropriation and Budgetary Controls

The District is subject to provisions of the Oregon Revised Statutes, which set forth local budget procedures. A budget is prepared for each fund on the modified accrual basis of accounting. Expenditure budgets are appropriated by the following categories within each fund: personal services; materials and services; capital outlay; debt service; transfers and contingency. Budgeted expenditures at the appropriation level may not be legally overspent. For the current fiscal year the District was not required to prepare a budget because this was the first year of operation. They operated under the budget prepared by Jackson County.

The Board of Directors may, however, approve additional appropriations for reimbursable grant expenditures, which could not be reasonably estimated at the time the budget was adopted. Additionally, budgets may be modified during the fiscal year by the use of appropriation transfers between legal categories. Such transfers require the approval of the Board.

A supplemental budget may be approved if an occurrence or need exists which had not been ascertained at the time the budget was adopted.

In accordance with state law, all encumbrances and appropriations terminate on June 30. Goods and services delivered during the ensuing year must be charged against the ensuing year's appropriations.

Consequently, encumbrances are not reported in the financial statements.

Transfers of appropriations from one fund to another or from one appropriation level to another must be authorized by official resolution or ordinance of the governing body. The resolution or ordinance must state the need for the transfer, the purpose for the authorized expenditures and the amount of the appropriation transferred.

Transfers of general operating contingency appropriations, which in aggregate during a fiscal year, exceed 10% of the total appropriations of the fund, may only be made after adoption of a supplemental budget prepared for that purpose.

**JACKSON COUNTY LIBRARY DISTRICT
(Jackson County, Oregon)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

When the estimated expenditures contained in a supplemental budget for a fiscal year result in an amount of estimated total expenditures by the municipal corporation for that fiscal year that differs by not more than 10% of any individual fund contained in the regular budget for that fiscal year, the governing body of the municipal corporation may adopt the supplemental budget at a regular meeting of the governing body.

When the estimated expenditures contained in a supplemental budget for a fiscal year result in an amount of estimated total expenditures by the municipal corporation for that fiscal year that differs by more than 10% of any individual fund contained in the regular budget for that fiscal year, the supplemental budget, or a summary thereof, shall be published. The governing body shall then hold a public hearing on the supplemental budget prior to adopting the supplemental budget.

NOTE 2 – CASH AND CASH EQUIVALENTS

The District's investment of cash funds is regulated by Oregon Revised Statutes. Under these guidelines, cash funds may be invested in time certificates of deposit, general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances and the State Treasurer's Investment Pool, among others. These funds were held by Jackson County on behalf of the District for the fiscal year.

The District maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed as "cash and investments".

Cash and investments as of June 30, 2015, consisted of the following:

State Treasurer's Investment Pool	<u>\$ 1,449,235</u>
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Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require that all bank deposits in excess of the FDIC or FSLIC insurance amounts be collateralized through the Oregon State Treasurer's Public Funds Collateralization Program. This program provides a structure for specified depositories to participate in a shared liability collateral pool.

**JACKSON COUNTY LIBRARY DISTRICT
(Jackson County, Oregon)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

NOTE 2 – CASH AND CASH EQUIVALENTS - continued

Securities pledged by individual institutions may range from 10% to 110% of public fund deposits depending on the financial institution's level of capitalization as determined by its federal regulatory authority. The aggregate Oregon public fund collateral pledged at June 30, 2015, was \$1,446,787,655 for reported uninsured public funds of \$1,818,055,422. The custodian, Federal Home Loan Bank of Seattle, is the agent for the depository bank. The securities pledged are designated as subject to the Pledge Agreement between the depository bank, custodian bank and Office of the State Treasurer (OST) and are held for the benefit of OST on behalf of the public depositors. The District's funds were held by financial institutions that participated in the State Treasurer's program and were in compliance with statutory requirements.

Investments

The only investments held by the District at June 30, 2015, were amounts deposited with the State of Oregon Local Government Investment Pool (LGIP). The District's investment in the LGIP is carried at cost, which approximates fair value. The of Oregon's investment policies used in administering the LGIP are governed by statute and the Oregon State Investment Council (Council).

The State Treasury's investments in short-term securities are limited by the portfolio rules established by the Oregon Short-term Fund Board and the Council. In accordance with Oregon statutes, the investment funds are invested, and the investments of those funds managed, as a prudent investor would do, exercising reasonable care, skill and caution.

The Oregon Local Government Investment Pool issues monthly statements to participants. The Office of the State Treasurer issues publicly available financial reports on the Oregon Short- Term Fund. The reports can be obtained from the Office of the State Treasurer, 350 Winter Street NE, Suite 100, Salem, OR, 97301-3896, the Office of the State Treasurer's web-site, or by calling 1-503-378-4000.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Investments in the LGIP are not required to be rated.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the risk that its fair value will decline if interest rates rise. In order to manage the interest rate risk of its investments, the District invests only in the LGIP. The LGIP has rules that require at least 50% of its investments to mature within 93 days, not more than 25% may mature in over a year, and all other investments must mature in no more than three years.

JACKSON COUNTY LIBRARY DISTRICT
(Jackson County, Oregon)
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE 2 – CASH AND CASH EQUIVALENTS - continued

Custodial Credit Risk – Investments. Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the District will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The LGIP's portfolio rules provide that broker/dealers meet certain qualifications and that investments are delivered to and held by a third-party custodian which holds the securities in the State of Oregon's name.

NOTE 3 – CAPITAL ASSETS

The District does not have any capital assets as of June 30, 2015. The buildings and equipment used by the District in the 15 libraries it runs are owned by Jackson County and are leased back to the District at zero cost through an intergovernmental agreement. The District is responsible for maintaining the buildings and making any capital improvements necessary.

NOTE 4 – RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft or damage to, and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. The District reviews the coverage periodically, and there have not been any significant claims.

NOTE 5 – TRANSFERS IN

In the Statement of Activities there is a transfer in from Jackson County for permanently restricted funds that were part of the assets that were transferred from Jackson County upon the formation of the Library District. The balance of this transfer at July 1, 2014 was \$224,990.

NOTE 6 – TRANSACTIONS WITH JACKSON COUNTY

For the fiscal year 2014-2015 the Library District had an intergovernmental agreement with Jackson County to provide library services and operations. Total payments made to Jackson County were \$6,896,372.

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF PROPERTY TAX COLLECTIONS AND OUTSTANDING BALANCES

For the period from inception on July 1, 2014 to June 30, 2015

Tax Year	Taxes Receivable June 30, 2014	Current Levy	Adjustments	Interest (Discount)	Collections	Receivable June 30, 2015
2014-2015	\$ -	<u>\$9,063,985</u>	<u>(21,722)</u>	<u>\$(225,748)</u>	<u>\$8,502,939</u>	<u>\$313,576</u>
	<u>\$ -</u>	<u>\$9,063,985</u>	<u>(21,722)</u>	<u>\$(225,748)</u>	<u>\$8,502,939</u>	<u>\$313,576</u>

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



Certified Public Accountants
and Business Advisors

Independent Auditors' Report Required by Oregon State Regulations

To the Library Board
Jackson County, Oregon

We have audited the basic financial statements of Jackson County Library District as of and for the year ended June 30, 2015, and have issued our report thereon dated March 25, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the 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 from material misstatement.

Compliance

As part of obtaining reasonable assurance about whether Jackson County Library District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial 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.

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:

- The use of approved depositories to secure the deposit of public funds (ORS Chapter 295).
- The requirements relating to insurance and fidelity bonds in force or required by law.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds (ORS Chapter 294).
- The requirements pertaining to the awarding of public contracts and the construction of public improvements (ORS Chapters 279A, 279B, 279C).

In connection with our testing nothing came to our attention that caused us to believe the Library District of Jackson County 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, as prescribed by the Secretary of State.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jackson County Library 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.

Purpose Of This Report

This report is intended solely for the information and use of board of directors and management of Jackson County Library District and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Isler Medford, LLC

Isler Medford, LLC
March 25, 2016