

LINCOLN COUNTY LIBRARY DISTRICT
LINCOLN COUNTY, OREGON

2018-2019
ANNUAL FINANCIAL REPORT

**LINCOLN COUNTY LIBRARY DISTRICT
LINCOLN COUNTY, OREGON**

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Independent Auditor's Report



Board of Directors
Lincoln County Library District
Newport, OR

1976 Garden Ave.
Eugene, OR 97403
541.342.5161
www.islercpa.com

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, and the General Fund of the Lincoln County Library District ("District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1, this includes determining that the 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 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 cash basis financial position of the governmental activities and the General Fund of the District as of June 30, 2019 and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Emphasis of Matter Regulatory 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 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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the cash basis financial statements that collectively comprise the District's basic financial statements. The accompanying General Fund budgetary comparison is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The General Fund budgetary comparison is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The budgetary comparison 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison is fairly stated in all material respects, in relation to the financial statements as a whole on the basis of accounting described in Note 1.

The list of District officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards of Audits of Oregon Municipal Corporations, we have issued our report dated December 30, 2019 on our consideration of the District's 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.

ISLER CPA



by: Paul Nielson, CPA, a member of the firm

Eugene, Oregon

December 30, 2019

INTRODUCTORY SECTION

LIST OF DISTRICT OFFICIALS
Lincoln County Library District
Lincoln County, Oregon

DIRECTORS

TERM EXPIRES

Brian Fodness	June 30, 2019
Virginia Tardaewether, Treasurer	June 30, 2019
Chris Boyle, President	June 30, 2019
Emily Portwood	June 30, 2021
Marta West	June 30, 2021

All Board members receive mail at the address listed below.

ADMINISTRATIVE

MaryKay Dahlgreen, Director

Lincoln County Library District
P.O. Box 2027
Newport OR 97365
Telephone (541) 265-3066

BASIC FINANCIAL STATEMENTS

LINCOLN COUNTY LIBRARY DISTRICT
Lincoln County, Oregon

STATEMENT OF NET POSITION
CASH BASIS
June 30, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 264,824
Total Assets	<u>\$ 264,824</u>
NET POSITION	
Unrestricted	\$ 264,824
Total Net Position	<u>\$ 264,824</u>

LINCOLN COUNTY LIBRARY DISTRICT
Lincoln County, Oregon

STATEMENT OF ACTIVITIES
CASH BASIS
For the Year Ended June 30, 2019

	<u>Program Revenues</u>			<u>Net Revenue (Expense)</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<u>Functions/Programs</u>					
Primary Government					
Governmental Activities					
Culture and Recreation	\$ 1,371,324	\$ -	\$ 50,541	\$ -	\$ (1,320,783)
Total Governmental Activities	<u>1,371,324</u>	<u>-</u>	<u>50,541</u>	<u>-</u>	<u>(1,320,783)</u>
Total Primary Government	<u>\$ 1,371,324</u>	<u>\$ -</u>	<u>\$ 50,541</u>	<u>\$ -</u>	<u>(1,320,783)</u>
General Revenues:					
Property Taxes					1,353,211
Other Taxes					16,511
Interest and Miscellaneous					13,342
Total					<u>1,383,064</u>
Change in Net Position					62,281
Beginning Net Position					<u>202,543</u>
Ending Net Position					<u>\$ 264,824</u>

LINCOLN COUNTY LIBRARY DISTRICT
Lincoln County, Oregon

BALANCE SHEET
CASH BASIS
GOVERNMENTAL FUNDS
June 30, 2019

	<u>GENERAL FUND</u>
ASSETS:	
Cash	\$ 264,824
Total Assets	<u>\$ 264,824</u>
FUND BALANCES:	
Unassigned	\$ 264,824
Total Fund Balances	<u>\$ 264,824</u>

LINCOLN COUNTY LIBRARY DISTRICT
Lincoln County, Oregon

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019**

	<u>GENERAL FUND</u>
REVENUES:	
Property Taxes	\$ 1,353,211
Other Taxes	16,511
Grants and Contributions	50,541
Interest and Miscellaneous	<u>13,342</u>
Total Revenues	<u>1,433,605</u>
EXPENDITURES:	
Current:	
Library District Operations	<u>1,371,324</u>
Total Expenditures	<u>1,371,324</u>
Net Change in Fund Balance	62,281
Fund Balance - Beginning of Year	202,543
Fund Balance - End of Year	<u><u>\$ 264,824</u></u>

NOTES TO FINANCIAL STATEMENTS

LINCOLN COUNTY LIBRARY DISTRICT
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

District profile

Lincoln County Library District (the District) is managed by a Board of Directors elected by the District voters. The primary function of the District is to ensure library service to the residents of Lincoln County, Oregon. The board is comprised of five board members elected to a four-year term. Board positions are voted upon during the May election on odd years.

Description of government-wide financial statements and cash basis of accounting

The government-wide financial statements are reported on a cash basis of accounting. The cash basis of accounting is based on the recording of cash and cash equivalents and changes therein, and only recognizes revenues, expenses, assets, and liabilities resulting from cash transactions. Only cash and items that involve the receipt or disbursement of cash during the period are recognized.

Basis of presentation - fund financial statements

The fund financial statements provide information about the District's general fund. The fund financial statements are also presented on a cash basis of accounting. The District reports only one major fund, the General Fund, which is the general operating fund of the District. It accounts for all the financial operations of the District. The principal source of revenue is the property taxes.

Cash

The District's cash includes cash on hand, demand deposits, and a money market bank account.

Fund Balance

In the fund financial statements, the fund balance for the general fund is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be sent.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the Board of Directors passes a resolution that places specific constraints on how the resources may be used. The Board of Directors can modify or rescind the resolution at any time through passage of an additional resolution.

LINCOLN COUNTY LIBRARY DISTRICT
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Resources that are constrained by the District with the intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. As of June 30, 2019, the District's fund balance is unassigned.

Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund balance flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total amount of committed, assigned, and unassigned fund balances). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

Budgetary information

Budgets are prepared and adopted, and expenditures are appropriated, in accordance with Oregon Local Budget Law. The budgetary level of control is appropriated by fund and function, i.e. instruction and support. Appropriations lapse as of the end of the year end.

The Board of Directors may change the budget throughout the year by transferring appropriations between levels of control and by adopting supplemental budgets as authorized by Oregon Revised Statutes. Unexpected additional resources may be added to the budget using appropriations transfer resolution or a supplemental budget. Supplemental budgets require hearings before the public, publication in newspapers, and adoption by the Board of Directors. Expenditures appropriations may not be legally over-expended except in the case of grant receipts which could not be reasonably estimated at the time the budget was adopted, and for debt service on new debt issued during the budget year.

LINCOLN COUNTY LIBRARY DISTRICT
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Budgetary information - continued

The Board is required by state law to adopt an initial budget by June 30th of each year for the following fiscal year which begins July 1st. The annual budget serves as the foundation for the District’s financial planning and control. Annual budgets are adopted on the modified cash basis. The budget is prepared by fund and function.

NOTE 2 – CASH

At year end, the District’s cash includes the following:

Bank Balances:

Petty cash	\$	50
General Checking		74,861
Money Market		189,913
	<u>\$</u>	<u>264,824</u>

Custodial credit risk – This is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a formal policy for custodial credit risk but follows the requirements of ORS 295. Insurance and collateral requirements for deposits are established by banking regulations and Oregon law. Where balances exceed the Federal Deposit Insurance Corporation (FDIC) amount of \$250,000, the balances are covered by collateral held in a multiple financial institution collateral pool (ORS 295.015) administered by the Oregon Office of the State Treasurer in the Public Funds Collateralization Program (PFCP). All bank deposits were covered by FDIC at June 30, 2019.

Oregon Revised Statutes, Chapter 294, authorizes the District to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, bankers’ acceptances guaranteed by a qualified financial institution, commercial paper, corporate bonds, repurchase agreements, State of Oregon Local Government Investment Pool (“LGIP”), and various interest-bearing bonds of Oregon Municipalities.

LINCOLN COUNTY LIBRARY DISTRICT
Lincoln County, Oregon

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 3 – LEASES

There are three operating leases in effect. Approximate future minimum rental commitments under these lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 3,168
2020	3,168
2021	3,168
2022	3,048
2023	2,688
Total	<u>\$ 15,240</u>

The total rental expense under these leases was approximately \$11,174 for the year ended June 30, 2019.

NOTE 4 – DEFERRED COMPENSATION PLAN

Employees are offered a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The District contributes a percentage of salary to the Plan for full-time employees. An employee may enter into an agreement to defer a portion of their compensation, subject to certain limitations provided by law, by means of a 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 of the Plan. A third party holds the assets of the Plan for the exclusive benefit of the Plan participants and their beneficiaries.

NOTE 5 - COMMITMENTS & CONTINGENCIES

As of June 30, 2019, the District did not have any substantial contract commitments or contingencies.

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss, including destruction or loss of assets, fraud, injuries to people on the property and loss due to natural disasters. The District maintains insurance that management believes covers these risks of loss adequately. Settled claims have not exceeded this commercial coverage for the past three years.

NOTE 7 – SUBSEQUENT EVENT

Subsequent to year end (July 2019), the District entered into a one-year sublease for office space, with the option to extend the lease for two successive one-year terms, in the amount of \$1,350 per month.

REQUIRED SUPPLEMENTARY INFORMATION

LINCOLN COUNTY LIBRARY DISTRICT
Lincoln County, Oregon

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ACTUAL AND BUDGET - BUDGETARY (CASH) BASIS
For the Year Ended June 30, 2019

GENERAL FUND

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Property Taxes	\$ 1,316,772	\$ 1,316,772	\$ 1,353,211	\$ 36,439
Other Taxes	5,000	5,000	16,511	11,511
Grants and Contributions	49,209	49,209	50,541	1,332
Interest	110	110	981	871
Miscellaneous	9,115	9,115	12,361	3,246
Total Revenue	<u>1,380,206</u>	<u>1,380,206</u>	<u>1,433,605</u>	<u>53,399</u>
EXPENDITURES:				
Library District Operations	1,508,575	1,508,575	1,371,324	137,251
Not Allocated:				
Contingency	<u>51,631</u>	<u>51,631</u>	<u>-</u>	<u>51,631</u>
Net Change in Fund Balance	(180,000)	(180,000)	62,281	242,281
Beginning Fund Balance	210,000	210,000	202,543	(7,457)
Ending Fund Balance	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 264,824</u>	<u>\$ 234,824</u>
Appropriation Level:				
Library District Operations		1,507,575	1,371,324	136,251
Not Allocated:				
Contingency		48,611	-	48,611

INDEPENDENT AUDITORS' REPORT
REQUIRED BY OREGON STATE REGULATIONS

Independent Auditor's Report
Required by Oregon State Regulations



Board of Directors
Lincoln County Library District
Newport, OR

1976 Garden Ave.
Eugene, OR 97403
541.342.5161
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We have audited the basic financial statements of the Lincoln County Library District ("District") as of and for the year ended June 30, 2019, and have issued our report thereon dated December 30, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 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:

- 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.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).

In connection with our testing nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the 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 Controls

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, as described in the AU Section 325 written communication.

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

ISLER CPA

A handwritten signature in black ink that reads "Paul R. Nielson". The signature is written in a cursive style with a long, sweeping tail on the letter "n".

by: Paul Nielson, CPA, a member of the firm

Eugene, Oregon

December 30, 2019