

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

**2016-2017**  
**ANNUAL FINANCIAL REPORT**

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

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## Independent Auditor's Report



Board of Directors  
Lincoln County Library District

### Report on the Financial Statements

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

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, 2017, 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 the General Fund of the District as of June 30, 2017, the respective changes in cash basis financial position for the year then ended in accordance with the 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 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**

The General Fund budgetary comparison is the responsibility of management and are 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 May 28, 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 on pages 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

May 28, 2019

## **INTRODUCTORY SECTION**

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

**DIRECTORS**

**TERM EXPIRES**

John N. O'Brien, President	June 30, 2017
Virginia Tardaewether, Treasurer	June 30, 2019
Chris Boyle	June 30, 2019
Terrell Aldredge	June 30, 2017
Shirley Hanes	June 30, 2017

All Board members receive mail at the address listed below.

**ADMINISTRATIVE**

MaryKay Dahlgreen, Director

Lincoln County Library District  
1247 NW Grove St, #2  
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, 2017**

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 191,025
Total Assets	<u>\$ 191,025</u>
<b>NET POSITION</b>	
Unrestricted	\$ 191,025
Total Net Position	<u>\$ 191,025</u>



**LINCOLN COUNTY LIBRARY DISTRICT**  
Lincoln County, Oregon

**STATEMENT OF ACTIVITIES**  
**CASH BASIS**  
**For the Year Ended June 30, 2017**

	Program Revenues			Net Revenue (Expense)	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Functions/Programs</u>					
<b>Primary Government</b>					
Governmental Activities					
Culture and Recreation	\$ 1,308,654	\$ -	\$ 37,490	\$ -	\$ (1,271,164)
Total Governmental Activities	1,308,654	-	37,490	-	(1,271,164)
Total Primary Government	\$ 1,308,654	\$ -	\$ 37,490	\$ -	(1,271,164)
General Revenues:					
Property Taxes					1,223,593
Other Taxes					21,750
Interest and Miscellaneous					3,140
Total					1,248,483
Change in Net Position					(22,681)
Beginning Net Position					213,706
Ending Net Position					\$ 191,025

**LINCOLN COUNTY LIBRARY DISTRICT**  
**Lincoln County, Oregon**

**BALANCE SHEET**  
**CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**June 30, 2017**

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	<u>GENERAL FUND</u>
<b>ASSETS:</b>	
Cash	\$ 191,025
Total Assets	<u>\$ 191,025</u>
<b>FUND BALANCES:</b>	
Unassigned	\$ 191,025
Total Fund Balances	<u>\$ 191,025</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, 2017

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	GENERAL FUND
REVENUES:	
Property Taxes	\$ 1,223,593
Other Taxes	21,750
Grants and Contributions	37,490
Interest and Miscellaneous	3,140
	<hr/>
Total Revenues	1,285,973
	<hr/>
EXPENDITURES:	
Current:	
Library District Operations	1,308,654
	<hr/>
Total Expenditures	1,308,654
	<hr/>
Net Change in Fund Balance	(22,681)
Fund Balance - Beginning of Year	213,706
Fund Balance - End of Year	<u>\$ 191,025</u>

**NOTES TO FINANCIAL STATEMENTS**

**LINCOLN COUNTY LIBRARY DISTRICT**  
**Lincoln County, Oregon**

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2017**

**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, 2017**

**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, 2017, 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, 2017**

**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 30<sup>th</sup> of each year for the following fiscal year which begins July 1<sup>st</sup>. 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:

General Checking	\$ 84,094
Money Market	106,931
	<u>\$ 191,025</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, 2017.

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, 2017**

**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>
2018	\$ 3,888
2019	1,616
2020	480
2021	480
2022	480
2023	360
Total	<u>\$ 7,304</u>

The total rental expense under these leases was approximately \$10,429 for the year ended June 30, 2017.

**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 in to 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, 2017, 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.



**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, 2017**

	<u>GENERAL FUND</u>			VARIANCE TO FINAL BUDGET POSITIVE (NEGATIVE)
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	
REVENUES:				
Property Taxes	\$ 1,237,243	\$ 1,237,243	\$ 1,223,593	\$ (13,650)
Other Taxes	3,000	3,000	21,750	18,750
Grants and Contributions	52,417	52,417	37,490	(14,927)
Interest	100	100	33	(67)
Miscellaneous	10,725	10,725	3,107	(7,618)
Total Revenue	<u>1,303,485</u>	<u>1,303,485</u>	<u>1,285,973</u>	<u>(17,512)</u>
EXPENDITURES:				
Library District Operations	1,408,337	1,408,337 (1)	1,308,654	99,683
Not Allocated:				
Contingency	48,773	48,773 (1)	-	48,773
Total Expenditures	<u>1,457,110</u>	<u>1,457,110</u>	<u>1,308,654</u>	<u>148,456</u>
Net Change in Fund Balance	(153,625)	(153,625)	(22,681)	130,944
Beginning Fund Balance	183,625	183,625	213,706	30,081
Ending Fund Balance	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 191,025</u>	<u>\$ 161,025</u>

(1) Appropriation Level

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

Independent Auditor's Report  
Required by Oregon State Regulations



1976 Garden Ave.  
Eugene, OR 97403  
541.342.5161  
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Board of Directors  
Lincoln County Library District

We have audited the basic financial statements of the Lincoln County Library District ("District") as of and for the year ended June 30, 2017, and have issued our report thereon dated May 28, 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 identified a deficiency in internal control over financial reporting that we consider to be a material weaknesses, 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 underline.

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

Eugene, Oregon

May 28, 2019