

AUDITS	Date	Initial
RCVD	2-5-10	SMC
MUNI #	1618-2009	
DIS	2-5-10	SMC
MUNI	2-5-10	KM
SCANNED	2-8-10	MN
GOVT TYPE		
SD CO & #		
COMMENTS		

KLAMATH COUNTY  
LIBRARY SERVICE DISTRICT

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2009



GREGOR PROFESSIONAL  
CORPORATION

**KLAMATH COUNTY LIBRARY SERVICE DISTRICT  
OREGON**

**June 30, 2009**

**BOARD OF DIRECTORS**

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Al Switzer	County Commissioner	December 31, 2012
John Elliott	County Commissioner	December 31, 2011
Cheryl Hukill	County Commissioner	December 31, 2012

**OFFICIALS**

Andy Swanson	District Manager	Library Director
Michael Long	Financial Manager	County Treasurer
W. Daniel Bunch	Legal	County Counsel

**REGISTERED OFFICE**

Klamath County Library Service District  
126 South Third Street  
Klamath Falls, Oregon 97601  
Tel (541) 882-8894  
<http://www.klamathlibrary.plinkit.org/>

**KLAMATH COUNTY LIBRARY SERVICE DISTRICT  
OREGON**

**ANNUAL FINANCIAL REPORT**

**June 30, 2009**

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*REPORT OF THE INDEPENDENT AUDITORS*



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SUITE 155  
EUGENE, OREGON 97401-6078

GREGOR PROFESSIONAL  
C O R P O R A T I O N

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## REPORT OF THE INDEPENDENT AUDITORS

Board of Directors  
Klamath County Library Service District  
Klamath Falls, Oregon

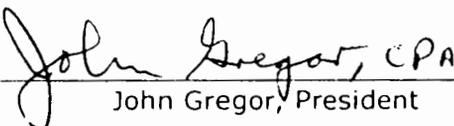
We have audited the accompanying financial statements of the governmental activities and each major fund of the Klamath County Library Service District, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of management of the District. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 District, as of June 30, 2009, and the respective changes in financial position, thereof and the respective budgetary comparison for the general and reserve funds then ended in conformity with U.S. generally accepted accounting principles.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures to the information, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

GREGOR PROFESSIONAL CORPORATION  
Certified Public Accountants

By   
John Gregor, President

Eugene, Oregon  
January 22, 2009

*MANAGEMENT'S DISCUSSION & ANALYSIS*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Klamath County Library Service District, we offer readers of the Klamath County Library Service District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter and the accompanying basic financial statements.

### **Financial Highlights**

- The District's net assets exceeded its liabilities at the close of the most recent fiscal year by \$9,576,816 (*net assets*). Of this amount, \$2,140,281 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$2,908,751. This increase is attributable to reserving funds for future infrastructure.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,005,766, a decrease of \$132,904 in comparison with the prior year. The total amount is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,527,971, or 76.34% percent of total general fund expenditures.
- The District's total long-term debt is zero
- The District received a donation of the county library building and land valued at \$2,126,840

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The Library District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other 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.

The *statement of net assets* presents information on all the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing 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 and earned but unused vacation leave).

Both the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include library services and reserves for future needs of District. The government-wide financial statements can be found on pages 1 of this report.

**Fund financial statements:** 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 can be divided into two categories: governmental funds and reserve 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 expendable*

resources, as well as on *balances of expendable 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. There is a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities* on page 2.

The District adopts an annual budget for all of its funds. Budgetary comparison statements for the major governmental funds have been provided for the required supplementary information. There are also individual budgetary statements for non-major governmental funds to demonstrate compliance with this budget elsewhere in this report. The basic governmental fund financial statements can be found on pages 1-5 of this report.

**Notes to the financial statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Klamath County Board of Commissioners is also the Directors of the Klamath County Library District which provides library services countywide. Intergovernmental agreements hold Klamath County harmless if named in any lawsuits. The notes to the financial statements can be found on pages 6-11 of this report.

**Other information:** In addition to the basic financial statements and accompanying notes, this report also presents other schedules and information required by the State of Oregon. This information can be found on pages 12-13.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$9,576,816 at the close of the most recent fiscal year.

By far the largest portion of the District's net assets (77.65 %) reflects its investments in capital assets (e.g., land, buildings, books, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Library District's Net Assets

	2009	2008	Increases (decreases)
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,043,862	\$ 2,247,016	\$ (203,154)
Receivables & other assets	246,967	215,469	31,498
Capital assets	<u>7,436,535</u>	<u>4,396,212</u>	<u>3,040,323</u>
Total assets	<u>9,727,364</u>	<u>6,858,697</u>	<u>2,868,667</u>
<b>LIABILITIES</b>			
Accounts payable	<u>150,548</u>	<u>190,632</u>	<u>(40,084)</u>
Total liabilities	<u>150,548</u>	<u>190,632</u>	<u>(40,084)</u>
<b>NET ASSETS</b>			
Invested in capital assets	7,436,535	4,396,212	3,040,323
Restricted	-	-	-
unrestricted	<u>2,140,281</u>	<u>2,271,853</u>	<u>(131,572)</u>
Total net assets	<u>\$ 9,576,816</u>	<u>\$ 6,668,065</u>	<u>\$ 2,908,751</u>

The District's net assets balance of *unrestricted net assets*, which amounts to \$2,140,281, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the District was able to report positive balances in all categories of net assets for the government as a whole as well as for its separate governmental activities. The same situation held true for the prior fiscal year.

**Governmental activities:** Governmental activities increased the District's net assets by \$2,908,751. Key elements of this increase are as follows:

- Increase in property taxes from housing construction growth and increase in the interest rates on investment of funds the current fiscal year.
- Donated property from Klamath County.
- Reserve donations.

### Library District's Changes in Net Assets

	2009	2008	Increases (decreases)
<b>REVENUES</b>			
Property taxes	\$ 2,207,134	\$ 2,052,193	\$ 154,941
Intergovernmental	21,368	22,264	(896)
Service charges	30,100	30,740	(640)
Interest	65,473	96,822	(31,349)
Miscellaneous	242,215	115,692	126,523
Total revenues	<u>2,566,290</u>	<u>2,317,711</u>	<u>248,579</u>
<b>EXPENSES</b>			
Personal services	1,010,258	1,101,241	(90,983)
Material and services	739,390	588,647	150,743
Depreciation	34,731	27,084	7,647
Total expense	<u>1,784,379</u>	<u>1,716,972</u>	<u>67,407</u>
Net income	781,911	600,739	181,172
<b>OTHER FINANCING SOURCES</b>			
Property donations	2,126,840	-	2,126,840
<b>INCREASE NET ASSETS</b>	2,908,751	600,739	2,308,012
<b>NET ASSETS</b>			
Beginning	6,668,065	6,067,326	600,739
Ending	<u>\$ 9,576,816</u>	<u>\$ 6,668,065</u>	<u>\$ 2,908,751</u>

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services. One noteworthy exception, however, was various grants received in human services showed growth.

### Financial Analysis of the Government's Funds

As noted earlier, Library District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds:** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *expendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Library District. The fund balance of the District's general fund was increased by \$268,026 during the current fiscal year. The key factors are as follows:

- Increase in property taxes from housing construction growth and increase in the interest rates on investment of funds the current fiscal year.

### Budgetary Highlights

The District budgets all funds (except for fiduciary funds) in compliance with Oregon budget law. Differences between the original budget and the final amended budget were relatively minor and can be briefly summarized as follows:

All of the budget changes are done by resolution and or a supplemental budget as required by Oregon budget law.

### Capital Asset and Debt Administration

*Capital assets:* The District's investment in capital assets for its governmental activities as June 30, 2009, amounts to \$4,396,212 (net of accumulated depreciation). This investment in capital assets includes books, media and microfilm, land, buildings and improvements, equipment, furniture, and vehicle. The total decrease in the District's investment in capital assets for the current fiscal year was 0.79 percent.

Major capital asset events during the current fiscal year included the following:

- A variety of purchases for replacement of computers and books.
- A building project planned for the next year to expand the main library building.

### Library District's Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land and improvements	\$ -	\$ 2,126,840	\$ -	\$ 2,126,840
Construction in progress	-	651,087	-	651,087
Books, media and microfilm	4,272,875	256,499	-	4,529,374
	<u>4,272,875</u>	<u>3,034,426</u>	<u>-</u>	<u>7,307,301</u>
Capital assets, being depreciated				
Equipment and furniture	440,643	40,628	-	481,271
Vehicle	32,860	-	-	32,860
	<u>473,503</u>	<u>40,628</u>	<u>-</u>	<u>514,131</u>
Less accumulated depreciation				
Equipment and furniture	322,503	32,133	-	354,636
Vehicle	27,663	2,598	-	30,261
	<u>350,166</u>	<u>34,731</u>	<u>-</u>	<u>384,897</u>
Total being depreciated, net	<u>123,337</u>	<u>5,897</u>	<u>-</u>	<u>129,234</u>
Total capital assets	<u>\$ 4,396,212</u>	<u>\$ 3,040,323</u>	<u>\$ -</u>	<u>\$ 7,436,535</u>

In January 2009, the Klamath County Board of Commissioners approved to transfer real property where the Library is located to the District. Tax exemption value of this property is \$2,126,840. In July 2008, the District made a contract with Acme West Co. for library addition project with estimated construction cost of \$800,000. The project was completed in August 2009. The District has not established capitalization and depreciation policy for donated

property and library addition project. The District will be establishing a policy for the capitalization and depreciation in the fiscal year 2009-10.

Additional information on the District's capital assets can be found in notes to the financial statements.

*Long-Term Debt:* The District has no outstanding debt at this time.

### **Economic Factors and Next Year's Budgets**

- The slowdown in the housing industry will affect future property taxes.
- The State unemployment rate is increasing including the basin, along with the rest of the state.
- Inflationary trends in the region are increasing.

All of these factors were considered in preparation of the District's budgets for 2008-09 and 2009-10 fiscal years.

### **General Information**

County Seat: Klamath Falls, Oregon      E-mail: [boecc@co.klamath.or.us](mailto:boecc@co.klamath.or.us)      Web: [www.co.klamath.or.us](http://www.co.klamath.or.us)  
Incorporated: Oct. 17, 1882      Elevation at Klamath Falls: 4,105'      Area: 6,135 sq. miles  
Average Temp.: January 29.8" July 68.0"      Assessed Value: \$4,083,883,233      Real Market Value: \$7,678,714,845  
Annual Precipitation: 14.31"      Economy: Forest products, agriculture, tourism, and recreation  
College: Oregon Institute of Technology (OIT)      County Population: 66,192

### **Requests for Information**

This financial report is designed to provide a general overview of Klamath County Library Service District finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed the Office of the Finance Director, Klamath County, 305 Main Street, Room 121, PO Box 340, Klamath Falls, Oregon 97601.

*BASIC FINANCIAL STATEMENTS*

**KLAMATH COUNTY LIBRARY SERVICE DISTRICT**

**BALANCE SHEET / STATEMENT OF NET ASSETS**

June 30, 2009

	<u>Balance Sheet</u>			<u>Adjustments (Note 6)</u>	<u>Statement of Net Assets</u>
	<u>General</u>	<u>Reserve</u>	<u>Totals</u>		
<b>ASSETS</b>					
Deposits and investments	\$ 1,565,968	\$ 477,894	\$ 2,043,862	\$ -	\$ 2,043,862
Receivables:					
Property taxes	208,407	-	208,407	-	208,407
Other accounts	38,560	-	38,560	-	38,560
Capital assets, net	-	-	-	7,436,535	7,436,535
Total assets	<u>\$ 1,812,935</u>	<u>\$ 477,894</u>	<u>\$ 2,290,829</u>	<u>7,436,535</u>	<u>9,727,364</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 150,449	\$ 99	\$ 150,548	-	150,548
Deferred revenue	134,515	-	134,515	(134,515)	-
Total liabilities	<u>284,964</u>	<u>99</u>	<u>285,063</u>	<u>(134,515)</u>	<u>150,548</u>
<b>FUND BALANCES / NET ASSETS</b>					
Fund balances:					
Reserved for Automation	-	477,795	477,795	(477,795)	-
Unreserved	1,527,971	-	1,527,971	(1,527,971)	-
Total fund balances	<u>1,527,971</u>	<u>477,795</u>	<u>2,005,766</u>	<u>(2,005,766)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 1,812,935</u>	<u>\$ 477,894</u>	<u>\$ 2,290,829</u>		
Net assets:					
Invested in capital assets				7,436,535	7,436,535
Restricted				-	-
Unrestricted				2,140,281	2,140,281
Total net assets				<u>\$ 9,576,816</u>	<u>\$ 9,576,816</u>

The accompanying notes are an integral part of this statement.

**KLAMATH COUNTY LIBRARY SERVICE DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES / STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2009

	<u>Statement of Revenues, Expenditures ...</u>			<u>Adjustments</u> <u>(Note 7)</u>	<u>Statement of</u> <u>Activities</u>
	<u>General</u>	<u>Reserve</u>	<u>Totals</u>		
<b>REVENUES:</b>					
Property taxes	\$ 2,205,802	\$ -	\$ 2,205,802	\$ 1,332	\$ 2,207,134
Intergovernmental	21,368	-	21,368	-	21,368
Service charges	30,100	-	30,100	-	30,100
Other districts	39,440	-	39,440	-	39,440
Miscellaneous	39,235	163,540	202,775	-	202,775
Interest	51,498	13,975	65,473	-	65,473
Property sales	-	-	-	-	-
Total revenues	<u>2,387,443</u>	<u>177,515</u>	<u>2,564,958</u>	<u>1,332</u>	<u>2,566,290</u>
<b>EXPENDITURES:</b>					
Personal services	1,010,258	-	1,010,258	-	1,010,258
Materials and services	991,192	-	991,192	(256,499)	734,693
Capital outlay	-	696,412	696,412	(691,715)	4,697
Depreciation	-	-	-	34,731	34,731
Total expenditures	<u>2,001,450</u>	<u>696,412</u>	<u>2,697,862</u>	<u>(913,483)</u>	<u>1,784,379</u>
Excess (deficiency) of revenues over expenditures	<u>385,993</u>	<u>(518,897)</u>	<u>(132,904)</u>	<u>914,815</u>	<u>781,911</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Property donation	-	-	-	2,126,840	2,126,840
Transfers	(117,967)	117,967	-	-	-
Excess (deficiency) of revenues and transfers in over expenditures and transfers out	268,026	(400,930)	(132,904)	132,904	-
Change in net assets	-	-	-	2,908,751	2,908,751
Fund balances/net assets					
Beginning of the year	<u>1,259,945</u>	<u>878,725</u>	<u>2,138,670</u>	<u>4,529,395</u>	<u>6,668,065</u>
End of the year	<u>\$ 1,527,971</u>	<u>\$ 477,795</u>	<u>\$ 2,005,766</u>	<u>\$ 7,571,050</u>	<u>\$ 9,576,816</u>

The accompanying notes are an integral part of this statement.

**KLAMATH COUNTY LIBRARY SERVICE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND**

**For the fiscal year end June 30, 2009**

	Budgeted Amounts		Actual Amounts	Budget to actual differences
	Original	Final	Budgetary Basis	Over (Under)
<b>REVENUES:</b>				
Property taxes	\$ 2,110,869	\$ 2,110,869	\$ 2,205,802	\$ 94,933
Intergovernmental	25,000	25,000	21,368	(3,632)
Service charges	21,300	21,300	30,100	8,800
Other districts	39,440	39,440	39,440	-
Miscellaneous	1,300	1,300	39,235	37,935
Interest	20,000	20,000	51,498	31,498
Property sales	26,522	26,522	-	(26,522)
Total revenues	2,244,431	2,244,431	2,387,443	143,012
<b>EXPENDITURES:</b>				
Personal services:				
Library Director	75,978	75,978	63,652	12,326
Library Specialist	203,666	203,666	172,158	31,508
Business Service Manager	32,008	32,008	28,894	3,114
Supervising librarian	43,700	43,700	36,161	7,539
Library Assistant	529,019	529,019	462,911	66,108
Courier	10,116	10,116	8,700	1,416
Temporary Help	42,900	42,900	279	42,621
FICA	70,674	70,674	56,617	14,057
Medical Insurance	147,420	147,420	124,766	22,654
Life Insurance	718	718	489	229
STD	574	574	279	295
Retirement General	42,455	42,455	34,104	8,351
Unemployment Compensation	21,248	21,248	21,248	-
Total personal services	1,220,476	1,220,476	1,010,258	210,218
Materials and services:				
Travel & Training	12,000	12,000	12,595	(595)
Branch Maintenance	90,000	95,000	81,929	13,071
Office Supplies	15,000	20,000	15,726	4,274
Dues/Fees	1,500	1,500	1,210	290
Vehicle Fuel	4,000	5,000	3,602	1,398
Vehicle Maintenance & Repair	3,000	3,000	1,925	1,075
Audit Fees	3,000	3,000	2,945	55
State Aid Youth Services	17,000	25,000	23,875	1,125
Telephone	12,000	15,000	15,941	(941)
Teleprocessing	9,000	10,000	8,305	1,695
Postage	10,000	15,000	14,389	611
Publications/Periodicals	15,000	15,000	16,590	(1,590)
Printing	6,000	6,000	5,816	184
On-Line Catalogue System	15,000	20,000	20,612	(612)
On-Line Database	35,000	40,000	29,948	10,052
Contract Service	13,000	15,000	21,115	(6,115)
Memorial Service	5,000	5,000	4,114	886
refund	4,000	3,000	-	3,000
Collection Maintenance	60,000	60,000	30,540	29,460
Computer Software	3,000	5,000	1,806	3,194
Audio-Visual Materials	70,000	70,000	74,158	(4,158)
Books	270,000	210,000	182,341	27,659
Lost/Damaged Books Replace	50	50	168	(118)
Microfilm/Microfiche	1,000	1,000	1,155	(155)
Administrative Services	124,810	209,810	209,810	-
Space Rent	140,886	170,258	170,258	-
Insurance	21,089	39,861	39,861	-
Transfer Equipment Reserve	458	458	458	-
Miscellaneous	-	-	-	-
Total material and services	960,793	1,074,937	991,192	83,745

The accompanying notes are an integral part of this statement.

**KLAMATH COUNTY LIBRARY SERVICE DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND (Continued)  
For the fiscal year end June 30, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Budget to actual</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>differences</u> <u>Over (Under)</u>
<b>EXPENDITURES (Continued):</b>				
Capital outlay				
Office Equipment	-	-	-	-
Building Improvement	-	-	-	-
Total capital outlay	-	-	-	-
Contingencies	100,831	100,831	-	100,831
Total expenditures	<u>2,282,100</u>	<u>2,396,244</u>	<u>2,001,450</u>	<u>394,794</u>
Excess (deficiency) of revenues over expenditures	<u>(37,669)</u>	<u>(151,813)</u>	<u>385,993</u>	<u>537,806</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers	<u>(117,967)</u>	<u>(117,967)</u>	<u>(117,967)</u>	<u>-</u>
Net change in fund balance	(155,636)	(269,780)	268,026	537,806
Fund balances - beginning	<u>569,780</u>	<u>569,780</u>	<u>1,259,945</u>	<u>690,165</u>
Fund balances - ending	<u>\$ 414,144</u>	<u>\$ 300,000</u>	<u>\$ 1,527,971</u>	<u>\$ 1,227,971</u>

The accompanying notes are an integral part of this statement.

**KLAMATH COUNTY LIBRARY SERVICE DISTRICT  
KLAMATH FALLS, OREGON**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**

**RESERVE FUND**

For the fiscal year end June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Budget to actual</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>differences</u>
				<u>Over (Under)</u>
<b>REVENUES:</b>				
Reserve Donations	\$ -	\$ -	\$ 163,540	\$ 163,540
Interest	3,000	3,000	13,975	10,975
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>177,515</u>	<u>174,515</u>
<b>EXPENDITURES:</b>				
Personal services	-	-	-	-
Materials and services	200,000	200,000	-	200,000
Capital outlay:				
Computer Equipment	40,000	40,000	45,325	(5,325)
Building Improvement	1,450,672	1,450,672	651,087	799,585
Total capital outlay	1,490,672	1,490,672	696,412	794,260
Contingencies	-	-	-	-
Total expenditures	<u>1,690,672</u>	<u>1,690,672</u>	<u>696,412</u>	<u>994,260</u>
Excess (deficiency) of revenues over expenditures	<u>(1,687,672)</u>	<u>(1,687,672)</u>	<u>(518,897)</u>	<u>1,168,775</u>
<b>OTHER FINANCING</b>				
<b>SOURCES (USES):</b>				
Transfers	<u>117,967</u>	<u>117,967</u>	<u>117,967</u>	<u>-</u>
Net change in fund balance	(1,569,705)	(1,569,705)	(400,930)	1,168,775
Fund balances - beginning	<u>1,569,705</u>	<u>1,569,705</u>	<u>878,725</u>	<u>(690,980)</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 477,795</u>	<u>\$ 477,795</u>

The accompanying notes are an integral part of this statement.

*NOTES TO THE BASIC FINANCIAL STATEMENTS*

# KLAMATH COUNTY LIBRARY SERVICE DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2009

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### 1. Summary of Significant Accounting Policies

#### A. Reporting Entity

The Klamath County Library Service District was created by the residents of Klamath County through Measure 18-39 on July 1, 2001. At that time, the District received the assets of the Library Fund of Klamath County. The board of commissioners of Klamath County directs and oversees the operations of the District.

The District is a primary government. A primary government is a financial reporting entity, which has a separately elected governing body, is legally separate and is fiscally independent of other state and local governments. The District has considered for inclusion in its financial statements all potential governmental organizations (component units) for which the District is financially accountable. Financial accountability may be evidenced by the ability to appoint the voting majority of the governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific burdens on, the primary government; or a fiscal dependency or intergovernmental relationship so close that exclusion from the primary government would render the financial statements incomplete or misleading. The District has no component units.

#### B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District now follows the "Reporting by Special Purpose Governments Engaged in Governmental Activities" of GASB Statement No. 34. Under this provision, the fund financial statements and the government-wide statements combined using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements.

The government-wide financial statements report information on the entire District. For the most part, the effect of interfund activity has been removed from these statements. These 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both *measurable* and *available*. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

## KLAMATH COUNTY LIBRARY SERVICE DISTRICT

### NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2009

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All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

*General Fund* is the general operating fund of the District. It is used to account for all financial sources except those required to be accounted for in another fund. The principal revenue sources are property taxes, state supports and interest on investments.

*Reserve Fund* accounts for funds which have been set aside for future automation reserve. The principal revenue sources are fund transfer in from general fund and interest on investments.

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

#### **C. Assets, Liabilities, and Net Assets**

##### DEPOSITS AND INVESTMENTS

The deposits and investments reported on the balance sheets include deposits with the Klamath County Treasurer in the County's cash and investment pool. All investments are pooled in order to maximize interest.

##### RECEIVABLES AND PAYABLES

Property taxes are levied and attach as an enforceable lien on property on July 1 of each fiscal year. Taxes are payable in three installments on November 15, February 15 and May 15. A 3% discount is allowed for payment in full on November 15. Klamath County, Oregon, makes all assessments of property value, and levies and collects the taxes for the District, and all other taxing districts within the county.

For the current year, the District levied taxes at the rate of 0.4900 per \$1,000 of assessed value of all taxable property within the District. Measure 50 establishes the permanent rate and allows for an increase of the assessed value of property of 3% per year.

##### CAPITAL ASSETS

Capital assets, which include books, equipment and furniture, and vehicles, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

# KLAMATH COUNTY LIBRARY SERVICE DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2009

Equipment, furniture and vehicles of the District are depreciated using the straight line method over the following estimated useful lives of 10 years for vehicles and 5 years for equipment and furniture.

### 2. Stewardship, Compliance, and Accountability

#### A. Budgetary Information

Budgets are prepared and adopted, and expenditures are appropriated, in accordance with Oregon Local Budget Law. Budgets are adopted on the modified accrual basis of accounting. All annual appropriations lapse at fiscal year end. The District does not use encumbrance accounting.

On or before June 30 of each year, the District enacts a resolution approving the budget, appropriating the expenditures, and levying the property taxes. Prior to enacting this resolution, the proposed budget is presented to the District Board for a budget hearing by a budget committee.

The budget is prepared by fund, activity and line item, and includes information of the past year, current year estimates, and requested appropriations for the next fiscal year. Expenditures may not exceed legally budgeted appropriations at the level of Personal Services, Material and Services, Capital Outlay, Debt Service, Contingencies and Transfers for each fund.

During the fiscal year, no expenditures were exceeded legally budgeted appropriations.

### 3. Deposits and Investments

Deposits and investments as of June 30, 2009 were as follows:

Cash with county treasurer	\$ 2,043,712
Cash in hand	<u>150</u>
total cash	<u>\$ 2,043,862</u>

Deposits with financial institutions are comprised of cash with Klamath County Treasurer. The County maintains a cash and investment pool that is available for use by all funds including small special districts. Oregon Statutes authorize the County to invest in obligations of the U.S. Government and its agencies, the State Local Government Investment Pool, certificates of deposit, savings and money market accounts, bankers' acceptances, commercial paper and repurchase agreements. Audit report of Klamath County may be obtained by writing to the Klamath County Treasurer, PO Box 340, Klamath Falls, Oregon, 97601.

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposures to fair value losses arising from increasing interest rates.

**KLAMATH COUNTY LIBRARY SERVICE DISTRICT**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2009**

**4. Schedule of Property tax transactions**

Schedule of property tax transactions for the year ended June 30, 2009 is as follows:

Tax year	Current levy & balance 7/1/2008	Adjustments & discounts	Interest	Collections	Uncollected balance 6/30/2009
2008-09	\$ 2,348,295	\$ (109,906)	\$ 1,535	\$ 2,139,022	\$ 100,902
2007-08	114,117	(31,883)	2,896	34,283	50,847
2006-07	42,631	(3,609)	2,429	13,871	27,580
2005-06	23,347	(3,941)	3,771	13,722	9,455
2004-05	8,175	(1,787)	1,599	4,810	3,177
2003-04	3,529	(412)	199	463	2,853
Prior years	15,207	(1,564)	913	963	13,593
<b>Total</b>	<b>\$ 2,555,301</b>	<b>\$ (153,102)</b>	<b>\$ 13,342</b>	<b>\$ 2,207,134</b>	<b>\$ 208,407</b>

**5. Capital Assets**

Capital assets activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital assets, not being depreciated</b>				
Land and improvements	\$ -	\$ 2,126,840	\$ -	\$ 2,126,840
Construction in progress	-	651,087	-	651,087
Books, media and microfilm	4,272,875	256,499	-	4,529,374
	<u>4,272,875</u>	<u>3,034,426</u>	<u>-</u>	<u>7,307,301</u>
<b>Capital assets, being depreciated</b>				
Equipment and furniture	440,643	40,628	-	481,271
Vehicle	32,860	-	-	32,860
	<u>473,503</u>	<u>40,628</u>	<u>-</u>	<u>514,131</u>
<b>Less accumulated depreciation:</b>				
Equipment and furniture	322,503	32,133	-	354,636
Vehicle	27,663	2,598	-	30,261
	<u>350,166</u>	<u>34,731</u>	<u>-</u>	<u>384,897</u>
Total being depreciated, net	<u>123,337</u>	<u>5,897</u>	<u>-</u>	<u>129,234</u>
Total capital assets	<u>\$ 4,396,212</u>	<u>\$ 3,040,323</u>	<u>\$ -</u>	<u>\$ 7,436,535</u>

In January 2009, the Klamath County Board of Commissioners approved to transfer real property where the Library is located to the District. Tax exemption value of this property is \$2,126,840. In July 2008, the District made a contact with Acme West Co. for library addition project with estimated construction cost of \$800,000. The project was completed in August 2009. The District has not established capitalization and depreciation policy for donated property and library addition project.

# KLAMATH COUNTY LIBRARY SERVICE DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2009

### 6. Explanation of Differences between Balance Sheet and the Statement of Net Assets

1. When capital assets are purchased or constructed, the costs of those assets are reported as expenditures in the fund financial statements. However, the statement of net assets includes those capital assets among the assets of the District as a whole.

Cost of capital assets	\$ 7,821,432
Accumulated depreciation	<u>(384,897)</u>
Net capital assets	<u>\$ 7,436,535</u>

2. Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, property taxes) are offset by deferred revenue in the governmental funds, and thus are not included in fund balance. Adjustment to deferred revenues as of June 30, 2009 was \$134,515.

### 7. Explanation of Differences between Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities

1. When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of net activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decreases by the amount of depreciation expense charged for the year.

Material & services (books, media & microfilm)	\$ 256,499
Capital outlay	691,715
Depreciation expense	<u>(34,731)</u>
Differences	<u>\$ 913,483</u>

2. Donated buildings from the Klamath County are reported as revenue (special item) in the statement of activities. However, the revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. See note 5 for donated properties.

3. Differences between statement of activities and fund balances consist as follows:

Beginning capital assets	\$ 4,396,212
Property donations	2,126,840
Capitalized capital outlay & material and services	948,214
Depreciation	(34,731)
Beginning deferred revenue	133,183
Deferred tax revenue changed this year	<u>1,332</u>
Totals	<u>\$ 7,571,050</u>

# KLAMATH COUNTY LIBRARY SERVICE DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS For the Year Ended June 30, 2009

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### **8. Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Management has represented that there are no other contingent liabilities which were understood to include among other things: notes or accounts receivable which have been discounted; pending suits, proceedings, hearings, or negotiations possibly involving retroactive judgments or claims; taxes in dispute; endorsements or guarantees; and options given that would require disclosure or recognition under Statement of Financial Accounting Standards Number 5.

### **9. Intergovernmental Agreement**

The District made an intergovernmental agreement with Klamath County on May 16, 2000, when it was established by the will of the majority of the voters. The agreement authorized by ORS 190.010 continues services provided by Klamath County to the District and employees in exchange for the continued payment of space rent and administrative fees by the District.

The District will pay for telephone system maintenance and annual administrative fees. Under the terms of agreement, the annual fees will be established yearly during the budget process, and the Klamath County Finance Director and/or Treasurer have the authority to manage and invest the District's funds in the market.

The County provides services for office supplies, human resources, janitorial, maintenance, computer and hardware support, and administrative and legal services. The Klamath County Treasurer will provide payroll, accounts and budget services for the District. Accordingly, quarterly payroll reports and pension expenses paid by the District were included on the County's report.

The terms of this agreement expired on June 30, 2009, and renewal contract for one additional five-year terms is under processing.

### **10. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District participates in the Special District Association of Oregon. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

*COMMENTS OF THE INDEPENDENT AUDITORS  
REQUIRED BY THE STATE OF OREGON  
MINIMUM STANDARDS FOR AUDITS OF  
OREGON MUNICIPAL CORPORATIONS*



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COMMENTS OF INDEPENDENT AUDITORS  
REQUIRED BY MINIMUM STANDARDS FOR  
AUDITS OF OREGON MUNICIPAL CORPORATIONS

Board of Directors  
Klamath County Library Service District  
Klamath Falls, Oregon 97601

We have audited the basic financial statements of Klamath County Library Service District as of and for the year ended June 30, 2009, and have issued our report thereon dated January 22, 2010.

Pursuant to the provisions of Oregon Revised Statutes (ORS) 297.465, Oregon Administrative Rules (OAR) 162-10-050 through 162-10-320 incorporates the *Minimum Standards for Audits of Oregon Municipal Corporations*. These standards have been approved by the Oregon Board of Accountancy, and have been adopted by the Secretary of State as Administrative Rules under the provisions of ORS Chapter 183.

The required statements and schedules are set forth in the preceding sections of this report. Required comments and disclosures related to our audit of such statements and schedules are set forth as the following:

*Internal Control*

Communication on the District's internal control over financial reporting was issued under separate cover.

*Adequacy of Collateral Securing Depository Balances*

Based on our testing, the District complied with legal requirements related to the amount and adequacy of collateral pledged by depositories to secure funds of the District.

*Budget Compliance*

The District has complied with Local Budget Laws in the preparation, adoption and execution for the current fiscal year, and preparation and adoption for the next succeeding year. All procedures were found in compliance with statutory requirements.

*Insurance and Fidelity Bonds*

We have reviewed the District's insurance and fidelity bond coverage at June 30, 2009. We ascertained that such policies did appear to be in force, and do comply with legal requirements relating to insurance and fidelity bond coverage. We are not experts in insurance to comment on the adequacy of the insurance policies.

*Investments*

Our review of investment pertaining to the investments of public funds indicated that the District was in compliance with ORS 294, during the year ended June 30, 2009.

*Programs Funded from Outside Sources*

We reviewed and tested to the extent we considered necessary in the circumstances, transactions, and reports relative to federal and state grant programs.

*Schedule of Accountability of Independently Elected Officials*

This compliance described in the note 3, deposits and investments and note 9, inter-governmental agreement in the financial statements.

*Public Contracting and Purchasing*

Our review of the District's public contracting, purchasing procedures and construction of public improvement requirements (ORS 279) indicated that the District was in compliance.

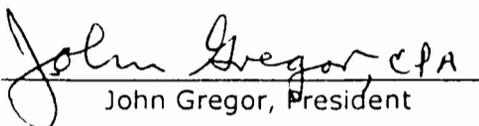
*Accounting Records*

The accounting records were generally adequate for the audit.

Compliance with "Indebtedness" and "Use of State Highway Funds" are not applicable to the District.

This report is intended solely for the information of the board of directors, management, and the Secretary of State Audits Division and is not intended to be and should not be used by anyone other than these specified parties.

GREGOR PROFESSIONAL CORPORATION  
Certified Public Accountants

By  John Gregor, President

Eugene, Oregon  
January 22, 2010

