

**Multnomah County Library District
A Component Unit of
Multnomah County, Oregon**

**Financial Statements and Reports of
Independent Auditors**

For the Fiscal Year Ended June 30, 2019



Prepared by:

Department of County Management
Eric J. Arellano, Chief Financial Officer
501 SE Hawthorne Blvd, Suite 531
Portland, Oregon 97214

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MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
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INTRODUCTORY SECTION

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Department of County Management

MULTNOMAH COUNTY OREGON

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(503) 988-3786 phone

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December 27, 2019

Honorable County Chair and Multnomah County Library District Board of Commissioners
Multnomah County, Portland, Oregon

INTRODUCTION

We are pleased to submit the Basic Financial Statements for Multnomah County Library District, Portland, Oregon (the District), for the year ended June 30, 2019. This report includes the opinion of our independent auditors, Moss Adams LLP.

We prepared this report for the Secretary of the State of Oregon as required under ORS 297.425. The District's financial statements are also included in the Comprehensive Annual Financial Report of Multnomah County (the County) as a blended component unit. This is necessary because the Board of County Commissioners of Multnomah County serves as the governing body and maintains overall financial accountability for the District.

Accounting principles generally accepted in the United States of America (U.S. GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Library District's MD&A can be found immediately following the independent auditors' report.

PROFILE OF THE DISTRICT

In 1864, a small group of local citizens joined to form a subscription library, which today is known as the Multnomah County Library. The Library began operation in 1902 as Oregon's first tax-supported public library. Multnomah County assumed the entire tax support of the library in 1911, and, for much of its history, the County's General Fund was the primary source of financing for the Library. Challenging economic times over the years led to passing various serial levies to provide additional temporary funding for the libraries; however, library supporters recognized the need for stable and dedicated library funding.

In November 2010, the voters amended the Multnomah County Charter and established a method under which the Multnomah County Board of County Commissioners could form a library district upon voter approval (Multnomah County Home Rule Charter Chapter IX). In August 2012, the County Board referred to the voter's ballot measure to approve formation of a Multnomah County Library District (Resolution 2012-104). The voters approved the formation of the library district at the November 6, 2012 general election (Measure 23-143). The effect of this measure created the Multnomah County

Library District on July 1, 2013 as a separate taxing district for the Library as a mechanism to secure permanent funding for library operations. The District's boundaries are contiguous with those of Multnomah County.

The District was formed to provide a stable source of funding for library services. District taxes replace the Library's previous funding model of temporary local option levies and annual contributions from Multnomah County's General Fund. District taxes are dedicated solely to fund library services.

The District is the repository of the revenues generated for library services. However, Library Services is a department of Multnomah County. The County and the District have executed an intergovernmental agreement, which states that the County will be reimbursed by the District for the cost of library operations, including administrative overhead costs such as finance, legal, human resources, risk management and internal services. This agreement exists in perpetuity unless both parties agree to amend it.

In fiscal year 2015, the County and the District convened a "Library Asset Transfer Group (LATG)" to review capital assets, which were in service to support library operations. The County Board approved a resolution in December, 2014 (Resolution 2014-142) which authorized the Chair to execute a Library Asset Transfer Agreement with the District that provided for the County to convey to the District all real properties, books and collections of rare books and artwork. These assets now belong to the District and appear on the District's financial statements.

The District's financial statements are prepared on the accrual basis of accounting, revenues are recorded at the time they are earned and expenses are recorded at the time the liabilities are incurred. The District's budget is prepared on the modified accrual basis of accounting. Oregon Budget Law requires the use of budgetary control. See pages 19-20 for the *Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual*.

As Oregon's largest public library, Multnomah County Library serves nearly one-fifth of the state's population with a wide variety of programs and services. Multnomah County Library is the oldest public library west of the Mississippi, with a history that reaches back to 1864.

FACTORS AFFECTING FINANCIAL CONDITION

The District provides library funding to a countywide population of 803,000, residents. The County's library system consists of 20 neighborhood branches that house nearly 900 computer search stations for the public and a collection of two million books and other library materials. In addition to books, the library serves the community via its website, electronic databases, social media, e-books, and more.

Fiscal year 2019 marked the sixth full year of the District, which was authorized by voters in November 2012. The District formation relieved Multnomah County of a \$15.3 million commitment for ongoing General Fund support in fiscal year 2014 and beyond. Increased property tax compression results in an offsetting loss to the County General Fund of approximately \$7.2 million. For the Library, the County and its patrons, the District's permanent rate means County libraries will no longer be dependent on successive 5-year local option tax levies. The permanent tax rate of \$1.24 replaced a lower local option rate of \$0.89 and addressed significant cuts the Library experienced in fiscal year 2013.

Property taxes are the District's largest revenue source accounting for 95.59 percent of total budgeted revenues for the fiscal year ended June 30, 2019. Property taxes have remained relatively insulated from declining real estate values. Property taxes are governed by two state constitutional measures. Measure 5, which set limits on the amount of tax that can be collected. In Measure 50, individual property taxable values, in general, may not grow by more than 3 percent year over year. For fiscal year ended June 30, 2019, property tax collections are expected to increase by 3.9 percent driven by new construction.

The District's permanent rate is limited to \$1.24 per \$1,000 assessed value. For fiscal year 2020, the District will levy \$1.21 per \$1,000. The District permanent tax rate supports the County's library system in accordance with the intergovernmental agreement between Multnomah County and the District.

ACKNOWLEDGEMENTS

I would like to acknowledge the help of the Finance and Risk Management Division staff, who contributed in the preparation of this report. I also want to thank the staff in Library Services and the Department of County Management for their contributions during the year.

Respectfully submitted,



Eric J. Arellano
Chief Financial Officer



Samina S. Gillum
Accounting Manager

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Principal Officers

BOARD OF COUNTY COMMISSIONERS* AS OF JUNE 30, 2019
501 SE Hawthorne Blvd, 6th floor
Portland, Oregon 97214

Title	Name	Term Expires
Chair of Board	Deborah Kafoury 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214	12/31/2022
Commissioner - District No. 1	Sharon Meieran 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214	12/31/2022
Commissioner - District No. 2	Susheela Jayapal 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214	12/31/2022
Commissioner - District No. 3	Jessica Vega Pederson 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214	12/31/2020
Commissioner - District No. 4	Lori Stegmann 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214	12/31/2020

REGISTERED AGENT

Eric J. Arellano

REGISTERED OFFICE

501 SE Hawthorne Blvd, Suite 531
Portland, Oregon 97214-3501

* Governing body of Multnomah County Library District reported on herein.

FINANCIAL SECTION

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Report of Independent Auditors

The Board of County Commissioners
Multnomah County Library District
Multnomah County, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major funds, and the budgetary comparisons for the general and capital funds of Multnomah County Library District (“the District”), a component unit of Multnomah County, Oregon, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Multnomah County Library District as of June 30, 2019 and the respective changes in financial position, and the budgetary comparisons for the general and capital funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of property tax collections and outstanding balances (Supplementary Information), as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section (Principal Officers and transmittal letter) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section 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 it.

Report on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2019 on our consideration of the Multnomah County Library District internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Multnomah County Library District's internal control over financial reporting and compliance.

Other Reporting Required by Minimum Standards for Audits of Oregon Municipal Corporations

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 27, 2019 on our consideration of Multnomah County Library 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.



James C. Lanzarotta, Partner
On behalf of Moss Adams LLP
Eugene, Oregon
December 27, 2019

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Department of County Management

MULTNOMAH COUNTY OREGON

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MANAGEMENT DISCUSSION AND ANALYSIS

As management of Multnomah County Library District (the District), we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2019. Multnomah County (the County) and the District have entered into an intergovernmental agreement (IGA) that provides for a structure of governance, internal services and management. Through this IGA, the District's resources support the operations of the County libraries and related County services.

Readers are encouraged to consider the information presented here in conjunction with the additional information that is furnished in the letter of transmittal, which can be found on pages 1-3 of this report.

Financial highlights

Government-wide statements

- The District's assets exceeded its liabilities at June 30, 2019 by \$85,685,767. Of this amount, \$46,383,504 is the District's investment in capital assets, \$33,180,979 is restricted for Library operations, and \$6,121,284 is unrestricted and may be used to meet ongoing obligations.
- Total net position as of June 30, 2019 was \$85,685,767, an increase of \$1,053,765. This change is primarily due to an increase of \$5,550,750 in tax revenues and \$485,045 in interest income.
- For fiscal year 2019, the District recognized \$83,877,324 in property taxes. The District's property tax rate was \$1.20 per \$1,000 of assessed value for fiscal year ended June 30, 2019. Total expenses for the District in fiscal year 2019 were \$83,728,541. All of the District's expenses were used to support Library operations.
- Total assets for the District were \$85,738,188. Of this, \$33,180,979 is recorded as restricted by the approved property tax levy or by contracts with the District's grantors or contributors.

Fund financial statements

- At June 30, 2019, the District's governmental funds reported ending fund balance of \$37,396,492, an increase of 26.1 percent over the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements include: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position 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).

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. The district reports two governmental funds, the *General Fund* and the *Capital Fund*, which is a capital project fund.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 21-30 of this report.

Government-Wide Financial Analysis

Net position may serve as a useful indicator of a government's financial condition. As noted earlier, the District's total assets exceeded its liabilities and deferred inflows of resources by \$85,685,767. At the end of the fiscal year, the District is able to report positive balances in each category of net position. The following statements summarize the District's net position at June 30, 2019 and for the previous fiscal year ending June 30, 2018.

Multnomah County Library District Statement of Net Position June 30,

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and investments	\$ 36,840,126	\$ 28,301,974
Receivables	2,514,557	3,211,462
Capital assets, net	46,383,505	53,382,334
Total assets	<u>85,738,188</u>	<u>84,895,770</u>
Liabilities:		
Accounts payable	<u>52,421</u>	<u>263,768</u>
Net position:		
Investment in capital assets	46,383,505	53,382,334
Restricted for library operations	33,180,979	25,356,773
Unrestricted	6,121,283	5,892,895
Total net position	<u>\$ 85,685,767</u>	<u>\$ 84,632,002</u>

Multnomah County Library District
Changes in Net Position
June 30,

	2019	2018
Revenues:		
Program revenues:		
Fines, fees and charges for services	\$ 958,125	\$ 1,033,352
Operating grants and contributions	1,846,565	1,784,991
General Revenues:		
Property taxes	83,877,324	78,326,574
Grants and contributions not restricted to specific programs	200	-
Interest earnings	1,050,232	565,187
Gain (loss) on disposal of capital assets	(2,950,140)	(6,868,588)
Total revenues	84,782,306	74,841,516
 Expenses		
Operating expenses:		
Library services and operations	83,728,541	77,262,966
Total expenses	83,728,541	77,262,966
 Increase (decrease) in net position	1,053,765	(2,421,450)
 Beginning net position	84,632,002	87,053,452
Ending net position	\$ 85,685,767	\$ 84,632,002

Governmental activities

During fiscal year ended June 30, 2019, library service expenses increased by \$6,465,575 or 8.4 percent from the prior year. This increase is primarily attributed to an increase in operating expenses \$1,844,983 and a capital loss for disposals for library books in the amount of \$2,950,140, which resulted in a decrease in capital assets in the *Statement of Net Position*.

Financial analysis of the Government's funds

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

The General Fund is used to account for all revenues and expenditures applicable to the general operations of the District. Restricted fund balance was \$31,275,208 and the assigned fund balance was \$6,121,284 at June 30, 2019. The restricted amounts are for property taxes and grant programs.

General fund budgetary highlights

The District adopted a budget for its General Fund (see page 19) in accordance with Oregon budget law and prior to the start of the fiscal year. The adopted budget was not amended during fiscal year 2019; therefore, the original and final budgets are the same.

The District's actual expenditures were below the total budgeted expenditures by \$5,222,397 or 6.2 percent for the period from July 1, 2018 through June 30, 2019. Budgeted expenditures are based on the amount of projected revenues (primarily property tax collections) while actual expenditures reflect the total amount paid to support the cost of District operations.

Economic factors and budget information for next year

The District's General Fund adopted budget for fiscal year 2020 total \$107,901,022, which represents an increase of \$11,702,924 or 12.2 percent from the 2019. Property tax revenues are the single largest source of revenue for the District. Property tax revenues are expected to increase in fiscal year 2020 by 4.34 percent due to an increase in assessed values.

The District maintains its intergovernmental agreement (IGA) with Multnomah County to provide library operations and support to the District. The IGA is effective from January 1, 2013 to June 30, 2019. The IGA renews annually on an automatic basis unless both parties decide to terminate the agreement.

Requests for Information

This financial report is designed to provide a general overview of Multnomah County Library District's 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 directed to the following address:

Multnomah County
Department of County Management
501 SE Hawthorne Blvd, Suite 531
Portland, OR
97214-3501

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Statement of Net Position
June 30, 2019

	Primary Government Governmental Activities
ASSETS	
Current assets (unrestricted):	
Cash and investments	\$ 5,966,410
Receivables:	
Accounts	154,873
Current assets (restricted):	
Cash and investments	30,873,716
Receivables:	
Taxes	2,359,684
Total current assets	39,354,683
Non-current assets:	
Capital assets, not being depreciated	7,360,247
Capital assets, net of accumulated depreciation	39,023,258
Total noncurrent assets	46,383,505
Total assets	85,738,188
LIABILITIES	
Current liabilities (payable from restricted assets):	
Restricted accounts payable	52,421
Total liabilities	52,421
NET POSITION	
Investment in capital assets	46,383,505
Restricted for:	
Expendable - library operations	33,180,979
Unrestricted	6,121,283
Total net position	\$ 85,685,767

The notes to this financial statements are an integral part of this statement.

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary government:					
Library services and operations	\$ 83,728,541	\$ 958,125	\$ 1,846,565	\$ -	\$ (80,923,851)
Total governmental activities	\$ 83,728,541	\$ 958,125	\$ 1,846,565	\$ -	\$ (80,923,851)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					83,877,324
Grants and contributions not restricted to specific programs					200
Interest and investment earnings					1,050,232
Gain (loss) on disposal of capital assets					(2,950,140)
Total general revenues					81,977,616
Change in net position					1,053,765
Net position - beginning					84,632,002
Net position - ending					\$ 85,685,767

The notes to this financial statement are an integral part of this statement.

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>
ASSETS			
Unrestricted:			
Receivables:			
Cash and investments	\$ 5,966,410	\$ -	\$ 5,966,410
Accounts, net	154,873	-	154,873
Restricted:			
Cash and investments	10,389,586	20,484,130	30,873,716
Receivables:			
Taxes	2,359,684	-	2,359,684
Total assets	<u>\$ 18,870,553</u>	<u>\$ 20,484,130</u>	<u>\$ 39,354,683</u>
LIABILITIES			
Liabilities payable from restricted assets:			
Restricted accounts payable	-	52,420	52,420
Total liabilities	<u>-</u>	<u>52,420</u>	<u>52,420</u>
DEFERRED INFLOWS OF RESOURCES			
Restricted:			
Property taxes	1,905,771	-	1,905,771
Total deferred inflows of resources	<u>1,905,771</u>	<u>-</u>	<u>1,905,771</u>
FUND BALANCE			
Restricted	10,843,499	20,431,710	31,275,209
Assigned	6,121,283	-	6,121,283
Total fund balance	<u>16,964,782</u>	<u>20,431,710</u>	<u>37,396,492</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 18,870,553</u>	<u>\$ 20,484,130</u>	<u>\$ 39,354,683</u>

The notes to the financial statements are an integral part of this statement.

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2019

Fund balances - governmental funds	\$	37,396,492
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund:		
Governmental capital assets	\$	114,339,718
Less accumulated depreciation	<u>(67,956,214)</u>	46,383,504
Deferred inflows represent amounts that were not available to fund current expenditures and therefore are only reported in the governmental funds:		
Property taxes		<u>1,905,771</u>
Net position of governmental activities	<u>\$</u>	<u>85,685,767</u>

The notes to the financial statements are an integral part of this statement.

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019

	<u>General Fund</u>	<u>Capital Fund</u>	<u>Total</u>
REVENUES			
Taxes	\$ 83,567,335	\$ -	\$ 83,567,335
Intergovernmental	171,194	-	171,194
Licenses and permits	94,099	-	94,099
Charges for services	863,900	-	863,900
Interest	741,704	308,528	1,050,232
Other:			
Non-governmental grants	1,675,571	-	1,675,571
Miscellaneous	126	-	126
Total revenues	<u>87,113,929</u>	<u>308,528</u>	<u>87,422,457</u>
EXPENDITURES			
Current:			
Library services	<u>79,388,137</u>	<u>291,715</u>	<u>79,679,852</u>
Total expenditures	<u>79,388,137</u>	<u>291,715</u>	<u>79,679,852</u>
Revenues over (under) expenditures	<u>7,725,792</u>	<u>16,813</u>	<u>7,742,605</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	11,587,564	11,587,564
Transfers out	<u>(11,587,564)</u>	-	<u>(11,587,564)</u>
Total other financing sources (uses)	<u>(11,587,564)</u>	<u>11,587,564</u>	<u>-</u>
Net change in fund balance	(3,861,772)	11,604,377	7,742,605
Fund balances - beginning	<u>20,826,554</u>	<u>8,827,333</u>	<u>29,653,887</u>
Fund balances - ending	<u>\$ 16,964,782</u>	<u>\$ 20,431,710</u>	<u>\$ 37,396,492</u>

The notes to the financial statements are an integral part of this statement.

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities
Governmental Fund
For the Year Ended June 30, 2019

Net change in fund balances - governmental funds	\$ 7,742,605
<p>Amounts reported for governmental activities in the Statement of Net Position are different because: in the Statement of Activities, the cost of those assets are depreciated over their estimated useful lives: net payments to Multnomah County for capital asset activities, with the effect of:</p>	
Current year depreciation expense	(4,048,690)
Loss on disposal of capital assets	(2,950,140)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds:</p>	
Increase in deferred inflows of resources - property taxes	309,990
Change in net position of governmental activities	\$ 1,053,765

The notes to the financial statements are an integral part of this statement.

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes - property	\$ 83,865,250	\$ 83,865,250	\$ 83,567,335	\$ (297,915)
Intergovernmental	100,000	100,000	171,194	71,194
Licenses and permits	110,000	110,000	94,099	(15,901)
Charges for services	971,000	971,000	863,900	(107,100)
Interest	50,000	50,000	741,704	691,704
Other:				
Non-governmental grants	1,646,620	1,691,795	1,675,571	(16,224)
Miscellaneous	100	100	126	26
Total revenues	<u>86,742,970</u>	<u>86,788,145</u>	<u>87,113,929</u>	<u>325,784</u>
EXPENDITURES				
Current:				
Library	84,065,359	84,110,534	79,388,137	4,722,397
Contingency	500,000	500,000	-	500,000
Total expenditures	<u>84,565,359</u>	<u>84,610,534</u>	<u>79,388,137</u>	<u>5,222,397</u>
Revenues over (under) expenditures	<u>2,177,611</u>	<u>2,177,611</u>	<u>7,725,792</u>	<u>5,548,181</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(11,587,564)</u>	<u>(11,587,564)</u>	<u>(11,587,564)</u>	-
Total other financing sources (uses)	<u>(11,587,564)</u>	<u>(11,587,564)</u>	<u>(11,587,564)</u>	-
Net change in fund balances	(9,409,953)	(9,409,953)	(3,861,772)	5,548,181
Fund balances - beginning	<u>17,796,478</u>	<u>17,796,478</u>	<u>20,826,554</u>	<u>3,030,076</u>
Fund balances - ending	<u>\$ 8,386,525</u>	<u>\$ 8,386,525</u>	<u>\$ 16,964,782</u>	<u>\$ 8,578,257</u>

The notes to the financial statements are an integral part of this statement.

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Fund
For the Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Interest	\$ -	\$ -	\$ 308,528	\$ 308,528
Total revenues	<u>-</u>	<u>-</u>	<u>308,528</u>	<u>308,528</u>
EXPENDITURES				
Current:				
Library	378,302	378,302	291,715	86,587
Contingency	19,972,780	19,972,780	-	19,972,780
Total expenditures	<u>20,351,082</u>	<u>20,351,082</u>	<u>291,715</u>	<u>20,059,367</u>
Revenues over (under) expenditures	<u>(20,351,082)</u>	<u>(20,351,082)</u>	<u>16,813</u>	<u>20,367,895</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	11,587,564	11,587,564	11,587,564	-
Total other financing sources (uses)	<u>11,587,564</u>	<u>11,587,564</u>	<u>11,587,564</u>	<u>-</u>
Net change in fund balances	(8,763,518)	(8,763,518)	11,604,377	20,367,895
Fund balances - beginning	8,763,518	8,763,518	8,827,333	63,815
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,431,710</u>	<u>\$ 20,431,710</u>

The notes to the financial statements are an integral part of this statement.

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2019

Note I. Summary of significant accounting policies

A. Reporting entity

In 2010, the voters amended Multnomah County's charter and established a method under which the Multnomah County Board of County Commissioners (the Board) could form a library district upon voter approval (Multnomah County Home Rule Charter Chapter IX). Subsequently, in August 2012, the Board referred to the voters a ballot measure to approve formation of the Multnomah County Library District (Resolution 2012-104). The voters approved the formation of the Library District at the November 6, 2012 general election (Measure 23-143). The Multnomah County Library District (the District) was created on July 1, 2013 with the approval of measure 23-143. The effect of passing this measure created the District with a permanent tax rate dedicated to library services, operations, books, materials, programs, activities and oversight of the District. The District's permanent rate is a mechanism to secure permanent funding for library operations. The Board is the governing body of the District. The boundaries for the District include all territory within Multnomah County (the County). Since the County is financially accountable for and significantly influences the operations of the District, the District is included in the financial statements of the County as a special revenue fund, a blended component unit.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e. the *Statement of Net Position* and the *Statement of Activities*) report information on all of the nonfiduciary activities of the District (the primary government). Governmental activities are primarily supported by taxes.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The Capital Projects Fund accounts for expenditures on major construction projects or equipment acquisition. The principal source of revenues are transfers from the General Fund.

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2019

C. Measurement focus, basis of accounting, and financial statement preparation

The District's government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. With this measurement focus, all assets and all liabilities associated with the operations are included on the *Statement of Net Position*.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). U.S. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The financial statements have incorporated all applicable GASB pronouncements.

The accompanying basic financial statements have been prepared for purposes of Oregon statutory reporting requirements. The District's General Fund is a governmental fund, which is 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *Capital Fund*, a capital project fund, accounts for revenues transferred from the General Fund. Revenues are transferred according to financial policies adopted by the Multnomah County Library District Board. Expenditures are dedicated to District capital projects, as defined by the District adopted financial policies.

D. Assets, liabilities, deferred inflows, and net position or fund balances

Cash and investments

The District's cash and investments are deposited in the County's Local Government Investment Pool (the Pool). 100 percent of the District's cash and investments are included in the Pool rather than specific, identifiable securities. The District's share of County pooled cash and investments can be drawn upon demand, and therefore, the entire amount on deposit with the County is considered cash equivalents. Interest earned on pooled investments is allocated monthly based on the average daily cash balance of the District in relation to total investments in the pool. It is not practical to determine the investment risk, collateral, or insurance coverage for the District's share of these pooled investments.

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2019

State statutes authorize the County to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, municipal bonds, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). Investments for the County, as well as for its component units, are reported at fair value. The LGIP operates in accordance with appropriate state laws and regulations.

Information about the pooled investments is included in the County's CAFR and may be obtained through the County's Finance and Risk Management Division at 501 SE Hawthorne Boulevard, Suite 531, Portland, OR 97214, or at: <https://multco.us/finance/financial-reports>.

Accounts receivables

The District's receivables are tax distributions, which are collected through the County's property tax system. Real and personal property taxes are assessed and become a lien against the property as of July 1 each year, and are payable in three installments on November 15th, February 15th and May 15th. All property taxes receivable are due from property owners within the District. Property tax receivables are deemed to be substantially collectible or recoverable through the County's collection and foreclosure process. Accordingly, no allowance for doubtful tax accounts is deemed necessary. The District also reports receivables at year-end for expenditure driven grants and contributions.

Capital assets

The District's capital assets, which consist of land, buildings, equipment, works of art, and their improvements, are reported on the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 for equipment and \$100,000 for buildings and land. Internally developed software must have an estimated useful life of at least three years and a minimum cost of \$100,000. 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 are expensed as incurred. Expenditures for major additions, improvements and replacements are capitalized. Capital assets are depreciated unless they are inexhaustible in nature, such as land. Property plant and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset class</u>	<u>Useful life</u>	<u>Threshold</u>
Equipment	3 to 20 years	\$ 5,000
Software, internally developed	3 to 10 years	100,000
Buildings and improvements	40 years	100,000

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2019

Deferred inflows of resources

Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. In the governmental fund financial statements, deferred inflows of resources include revenues that are measurable but not available.

Net position and Fund balances

Net position is reported on the *Statement of Net Position*. The restricted component of net position consists of external constraints on resources imposed by grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. Of the total restricted balance, the majority is restricted by enabling legislation, as a result of the amendment to the County's charter to allow the District to impose ad valorem property taxes sufficient to support Library function and services, with a permanent rate limit for operating taxes approved by County voters. The remaining restricted balance represents restrictions by third parties such as grantors and contributors. Amounts reported as unrestricted consist of assets that do not meet the definition of "restricted" as noted. Unrestricted resources include fines, fees and charges for services that do not carry any constraints on spending.

Fund balance is reported on the *Governmental Fund Balance Sheet*. The District's fund balances are classified as restricted or assigned. The *Restricted* component of net position consists of external constraints on resources imposed by grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. Resources that are constrained by the District's intent to use them for a specific purpose, but are not restricted, are reported as *Assigned* fund balance. The Board of County Commissioners expresses their intent to use a resource for a specific purpose by including that resource in the adopted annual budget. The District has not established a formal policy regarding the assignment of funds. There were no nonspendable, committed, or unassigned fund balances at June 30, 2019.

Intergovernmental agreements

The District and the County have entered into an intergovernmental agreement (IGA) that states the District will reimburse the County for the cost of library operations. The IGA also provides a structure for governance, internal services and management of the Districts as well as defining ownership of library assets. The terms of the agreement are effective January 1, 2013 to June 30, 2014 and the agreement has been renewed through June 30, 2020. In May of 2013 the term of the agreement was extended to June 30, 2015 or until terminated according to the agreement's terms. The agreement will automatically renew on an annual basis, unless all parties agree to terminate the agreement. All other terms and conditions of the contract shall remain the same.

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2019

Estimates

In preparing the basic financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note II. Stewardship, compliance, and accountability

A. Budgetary information

The District's budget is prepared and adopted in accordance with Oregon local budget law. Certain adjustments are necessary to reconcile from the budgetary basis to the U.S. GAAP basis. All annual appropriations lapse at fiscal year-end.

During the month of February each year, the District submits requests for appropriations to the County Chair so that a budget may be prepared. By May 15, the proposed budget is presented to the Board for approval. The Board holds public hearings and a final budget must be prepared and adopted no later than June 30 of each year.

The adopted budget is prepared by fund and department. The District may make transfers of appropriations within a department and fund. Transfers and changes of appropriations between departments or funds require the approval of the Board. The legal level of budgetary control, the level at which expenditures may not legally exceed appropriations, is the fund and department level. The adopted budget is available at: <https://multco.us/budget/multnomah-county-library-district-budget-0> .

Note III. Detailed notes

A. Cash and investments

The District's cash and investments reported on the Statement of Net Position represent the District's share of the County's cash and investment pool. The District's participation in the cash and investment pool is involuntary. Interest earnings from this pool are allocated to the District on a monthly basis. At June 30, 2019, the District's share of the County's cash and investment pool totaled \$36,840,126. Of this amount, \$30,873,716 is restricted by external grant agreements and the requirements of the District's property tax levy.

B. Receivables

For fiscal year ended June 30, 2019, the District levied property taxes in the amount of \$86,093,434 and collected property taxes in the amount of 83,877,324. The tax rate for fiscal year 2018-2019 was \$1.20 per \$1,000 of assessed value. Property tax receivable at June 30, 2019 was \$2,359,684, which is reported as restricted.

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2019

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 2,912,912	\$ -	\$ -	\$ 2,912,912
Works of art	4,447,335	-	-	4,447,335
Total not being depreciated	<u>7,360,247</u>	-	-	<u>7,360,247</u>
Capital assets being depreciated:				
Buildings	64,263,531	-	-	64,263,531
Land improvements	431,041	-	-	431,041
Equipment	47,447,642	-	(5,162,742)	42,284,900
Total being depreciated	<u>112,142,214</u>	-	<u>(5,162,742)</u>	<u>106,979,472</u>
Accumulated depreciation	<u>(66,120,128)</u>	<u>(4,048,690)</u>	<u>2,212,604</u>	<u>(67,956,214)</u>
Capital assets being depreciated, net	<u>46,022,086</u>	<u>(4,048,690)</u>	<u>(2,950,138)</u>	<u>39,023,258</u>
 Total capital assets	 <u>\$ 53,382,333</u>	 <u>\$ (4,048,690)</u>	 <u>\$ (2,950,138)</u>	 <u>\$ 46,383,505</u>

Decreases to equipment include two dispositions of library books with an asset value of \$5,162,742 and associated accumulated depreciation in the amount of \$2,212,604, for a loss of \$2,950,138. Increases to depreciation for \$4,048,690 represents only current year depreciation expense.

D. Transactions with Multnomah County

In fiscal year 2019, the District reports expenditures in the General Fund of the *Statement of Revenues, Expenditures, and Changes in Fund Balance* for \$79,388,136, which are payments made to the County for library services and operations under the Intergovernmental Agreement. The District expenses in the *Statement of Activities* of \$83,728,541, which is net of the effects of any capital outlays made during the year, and \$4,048,690 in depreciation expense.

E. Net position and fund balances

As of June 30, 2019, the government-wide *Statement of Net Position* reports \$85,685,767 of net position. Of this amount, \$30,873,716 is restricted by external grantors and contributors for special library programs, the remaining is restricted by enabling legislation for library operations; \$46,383,504 is reported as investment in capital assets.

Fund balances for governmental funds report \$37,396,492, of which \$31,275,208 is restricted; \$30,017,300 is restricted by enabling legislation for library operations and \$1,257,908 is restricted by external grantors and contributors for special library programs. The remaining amount of \$6,121,284 is reported as assigned fund balance in the General Fund.

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2019

Note IV. Other Information

A. Risk management

As a component unit of the County, 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 County carries commercial insurance. The County has established risk management programs for liability insurance coverage. The District is covered under the policies and programs insuring the County. The County maintains an internal service fund, the Risk Management Fund, to account for and finance its risks of loss. The County established risk management programs for liability and workers' compensation, whereby premiums are calculated on payroll expenses in all funds and are paid into the Risk Management Fund. The funds are available to pay claims, claim reserves, and reduce administrative costs of the program. These interfund premiums are used to offset the amount of claims expenditures reported in the Risk Management Fund. As of June 30, 2019, interfund premiums exceeded reimbursable expenditures. Settlements have not exceeded the County's coverage balance for each of the past three fiscal years.

B. Postemployment benefits and pension plans

The District itself does not have any employees but is serviced by Multnomah County employees who are covered under the County's other postemployment benefits (OPEB) and pension plans. These plans include the pension plan, OPEB - RHIA, and OPEB - County Plan. The County's Comprehensive Annual Financial Report (CAFR) provides further details on these plans. The CAFR is available online at: <https://multco.us/finance/financial-reports>.

C. Tax Abatements

As of June 30, 2019, the Library District provided no tax abatements directly.

Tax abatements granted by other governments

Six tax abatement programs administered by outside municipalities impact the Library's property tax revenues.

Low Income Rental Housing Program (ORS 307.540 to 307.548)

The State of Oregon's Low Income Rental Housing program (LIRH) provides property tax abatements to encourage nonprofit organizations to help fill the need for low-income housing. The LIRH program allows a city or county to abate property taxes for low income rental housing owned or being purchased by a nonprofit corporation. The property must be in use as housing or must be held for that purpose. Qualifying nonprofit corporations must be exempt from federal income tax [Section 501(c)(3) or (4) of the Internal Revenue Code] and upon liquidation distribute remaining assets to other tax-exempt charitable organizations or the State of Oregon. The nonprofit corporation must certify that the income level of each renter is at or below sixty percent of area median income, which is determined by the State Housing Council based on information from the U.S. Department of Housing and Urban Development.

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2019

In addition, the nonprofit corporation must describe how the abatement will benefit project residents. This program will sunset as of June 30, 2027 (ORS 307.541).

Core Area Multi-Unit and Transit Oriented Development-GR/PDX (ORS 307.600 to 307.637)

This State of Oregon's Core Area Multi-Unit program (CAMU) provides property tax abatements to stimulate the construction of rental housing in the core areas of Oregon's urban centers to improve the balance between the residential and commercial nature of those areas. The CAMU program also encourages city programs emphasizing the development of vacant or underused sites in the core areas with rental rates accessible to a broad range of the general public. The CAMU program provides property tax abatements for multiple family rental housing (excluding land) in core, light rail station, and transit oriented areas for up to ten successive years. The abatement does not include the land or any improvements not part of the multiple unit housing, but may include parking constructed as part of the multiple unit housing construction, addition or conversion. In the case of a structure to which improvements are added or the structure is converted, only the addition or conversion value is abated. Construction is to be completed by January 1, 2022, but an extension is possible. This program will sunset as of January 1, 2022 (ORS 307.612).

Enterprise Zone Programs (ORS 285C.050-.255)

The State of Oregon's Enterprise Zone Programs (EZ) allow for property tax abatements on qualified real and personal property owned or leased and newly placed into service by a qualified business in an enterprise zone. Property taxes on qualified property are abated for three years. However, the abatement period may be increased to a total of four or five consecutive years.

In order to qualify for the abatement, the business must meet all of the conditions outlined in ORS 285C.135 and 285C.200, such as engaging in eligible business operations and increasing zone employment by the greater of one additional job or 10 percent. In order to be eligible, property of the business must satisfy applicable timing, lease, location and minimal cost requirements, described in ORS 285C.180. Property is disqualified if it is used for an ineligible activity, such as retail operations, or if the business substantially curtails operations or closes during the abatement period. If property becomes disqualified, prior abated taxes are billed for payment.

New Housing Homebuyer Opportunity Limited Tax Exemption (ORS 307.651 to ORS307.687)

The City of Portland, Oregon's Homebuyer Opportunity Limited Tax Exemption (HOLTE) program abates the real property taxes billed on the residential improvement value for a 10-year period, while the land remains taxable. At the end of the 10-year abatement period, the taxes due will reflect the full assessed value of the property. Homes approved for the HOLTE program must sell for less than the annually established price cap to homebuyers who will live in the homes and meet program income requirements. There is a 100-unit cap on the number of new applications approved each year, although the cap does not apply to applications for properties including long-term affordability covenants.

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2019

Historic Property (ORS 358.505)

The Historic Property Program allows qualified historic property to be specially assessed at a frozen value for 10 years. The specially assessed value is the assessed value at the time of application for abatement. The assessed value cannot exceed the assessed value at the time of application; increased value from improvements or inflation is exempt for 10 years. Applications for special assessment must be approved by the State Historical Preservation Officer. Applicants must pay a fee and file a plan for proposed rehabilitation and maintenance. Property may not be classified and specially assessed if the application is filed after June 30, 2020.

Property is dropped from this special assessment at the end of the 10 year period, but can qualify for a second 10 year period if reapplication is approved and the local government (city, or county if not located in a city) does not prohibit it (by resolution). Approval of reapplication requires plans for significant investment in seismic upgrades, energy conservation, or disability access. Following the second 10 year period, the property can no longer qualify.

If, during the course of a special assessment term, the historic property is disqualified, either at the owner's request or from failure to meet the requirements, the tax savings from having a frozen value must be repaid. The additional tax and interest is equal to the sum of the tax benefit received for each year of special assessment as historic property. In addition, a penalty of 15 percent of the back taxes and interest owed is levied upon the disqualified property owner. However, if the property is destroyed or substantially altered by acts of nature or other events for which the owner is not responsible, or transferred to a tax-exempt owner, or transferred to a new owner who expressly assents to and continues to implement the preservation plan in effect, no additional tax or penalty is charged.

Senate Bill 192, passed in 2009, made several changes to the historic property tax special assessment program including:

- Special assessment period reduced from 15 years to 10
- As part of a submitted preservation plan, applicants must commit to expending ten percent of the property's real market value (at time of first year's special assessment) within the first five years of special assessment
- Property owners must now submit progress reports concerning the original preservation plan to the State Historic Preservation Officer in the third, sixth, and ninth years of special assessment
- The application fee was reduced from one-third of one percent of real market value to one-tenth of one percent of the assessed value of the property at time of application
- Qualifying properties no longer have to be open to public sight-seeing at least one day per year
- Restricted tax benefits for converting historic property to condominium use

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2019

Riparian Habitat Land (ORS 308A.350 to 308A.383)

The State of Oregon Riparian Habitat Land program specifies that property taxation for property designated as riparian land by the State Department of Fish and Wildlife is abated. Designated riparian land must be privately owned streambeds and the land under adjacent vegetation influenced by the proximity to water, but which does not extend more than 100 feet from the stream bank.

The following types of designated riparian land qualify for the abatement:

- Lands located outside urban growth boundaries (UGB) and zoned as forest or agricultural (including range land) in compliance with statewide planning goals.
- Lands that were outside a UGB and zoned as forest or agricultural (including range land) as of July 1, 1997, but are no longer outside a UGB or so zoned, qualify. The landowner must apply for riparian designation within five years of the change.
- Lands within city and urban growth boundaries may qualify if the city and county authorize the abatement (ORS 308A.360).

The Department of Fish and Wildlife can designate land as riparian habitat land if the owner has developed and implemented a plan for continued protection of the land using approved rehabilitation techniques. The department cannot approve more than 200 miles (increased from 100 miles in 1997) of private stream bank in any one county per year.

The abatement continues until withdrawn by the owner or use is incompatible with riparian use. Upon withdrawal or disqualification, an additional tax equal to the sum of the tax benefit for each year abated (up to five years) is due.

The abatement value is based on farm use assessed value as the alternative to riparian abatement. When land is specially assessed as farm, forest, or open space before riparian designation, any additional tax for a change in designation to riparian is abated.

For the fiscal year ended June 30, 2019, Multnomah County Library District abated property taxes totaling \$2,300,504 under these programs:

	Taxes Abated Fiscal Year Ended June 30, 2019
Tax Abatements Granted by Other Governments:	
Low Income Rental Housing Programs	\$ 674,273
Core Area Multi-Unit and Transit Oriented Development	169,079
Enterprise Zone Programs	741,385
New Housing Homebuyer Opportunity Limited Tax Exemption	116,727
Historic Property (2 Term, 10 Year, and 15 Year)	598,320
Riparian Habitat Land	720
Total property taxes abated	\$ 2,300,504

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SUPPLEMENTARY INFORMATION SECTION

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MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Schedule of Property Tax Collections and Outstanding Balances
For the year Ended June 30, 2019

Tax Year	Taxes Receivable June 30, 2018	Current Levy	Add (Deduct) Corrections and Adjustments	Add Interest on Delinquent Taxes	Deduct Discounts Allowed	Deduct Collections Including Interest on Delinquent Taxes	Taxes Receivable June 30, 2019
2018-19	\$ -	\$ 86,093,434	\$ (218,925)	\$ 30,373	\$ (2,264,908)	\$ (82,344,789)	\$ 1,295,185
2017-18	1,244,735	-	(256,876)	42,965	6,580	(419,814)	617,590
2016-17	573,613	-	(5,028)	39,391	(3,147)	(333,855)	270,974
2015-16 and prior	1,282,419	-	(8,913)	86,166	(25,635)	(1,158,102)	175,935
	<u>\$ 3,100,767</u>	<u>\$ 86,093,434</u>	<u>\$ (489,742)</u>	<u>\$ 198,895</u>	<u>\$ (2,287,110)</u>	<u>\$ (84,256,560)</u>	<u>\$ 2,359,684</u>

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**REPORTS OF INDEPENDENT AUDITORS
REQUIRED BY STATE STATUTES**

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Report of Independent Auditors on Compliance and on Internal Control Over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Oregon Minimum Audit Standards*

Board of County Commissioners
Multnomah County Library District

We have audited the basic financial statements of Multnomah County Library District (the “District”), a component unit of Multnomah County, as of and for the year ended June 30, 2019 and have issued our report thereon dated December 27, 2019. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Oregon Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the District’s basic 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 162-010-0000 to 162-010-0330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The accounting records and related internal control structure.
- The use of various depositories to secure the deposit of public funds.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal years 2019 and 2020.
- The requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

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. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Minimum Standards for Audits of Municipal Corporations*, prescribed by the Secretary of State.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



James C. Lanzarotta, Partner
For Moss Adams LLP
Eugene, Oregon
December 27, 2019

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Audit Standards*

The Board of County Commissioners
Multnomah County, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Multnomah County Library District, (“the District”), a Component Unit of Multnomah County, Oregon, 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, and have issued our report thereon dated December 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

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 a 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams, LLP

Eugene, Oregon
December 27, 2019