

**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, 2016



Prepared by:

Department of County Management
Joseph Mark Campbell, 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

501 SE Hawthorne Blvd, Suite 531

Portland, Oregon 97214

(503) 988-3786 phone

(503) 988-3292 fax



December 21, 2016

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, 2016. 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 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 together to form a subscription library, which today is known as 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 Library was funded by the County's General Fund. 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. 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 to fund only library services. 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 provided using County resources, including administrative costs such as finance, legal, human resources, risk management and internal services.

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 page 18 for the Schedule 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 county-wide population of 777,490 residents. The County's library system consists of 19 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 2016 marked the third 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.

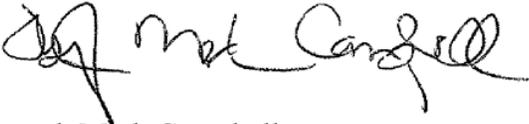
Property taxes are the District's largest revenue source accounting for almost 95 percent of total budgeted revenues for fiscal year 2016. Property taxes have remained relatively insulated from declining real estate values. Property taxes are governed by two state constitutional measures, Measure 5 and Measure 50, which set limits on the amount of tax that can be collected. In general, individual property taxable values may not grow by more than 3 percent year over year. For fiscal year 2017, property tax collections are expected to increase by 4 percent driven by new construction and decreased Measure 5 compression.

The District's permanent rate is limited to \$1.24 per \$1,000 AV. For fiscal year 2017, the District will levy the same rate as the prior year, \$1.18 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.

AWARDS AND 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,

A handwritten signature in black ink, appearing to read "Joseph Mark Campbell". The signature is fluid and cursive, with the first name "Joseph" being the most prominent.

Joseph Mark Campbell
Chief Financial Officer

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

BOARD OF COUNTY COMMISSIONERS* AS OF JUNE 30, 2016
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	12/31/2018
Commissioner - District No. 1	Jules Bailey 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214	12/31/2018
Commissioner - District No. 2	Loretta Smith 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214	12/31/2018
Commissioner - District No. 3	Judy Shiprack 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214	12/31/2016
Commissioner - District No. 4	Diane McKeel 501 SE Hawthorne Blvd, 6 th Floor Portland, OR 97214	12/31/2016

REGISTERED AGENT

Joseph Mark Campbell

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 Commissions
Multnomah County Library District

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities and the major fund of the Multnomah County Library District (“the District”), a component unit of Multnomah County, Oregon, as of and for the year ended June 30, 2016, the related notes to the financial statements, and the budgetary comparison for the General Fund 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 audits. We conducted our audits 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.

MOSS ADAMS_{LLP}

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of June 30, 2016, the respective changes in financial position for the years then ended and the budgetary comparison for the general fund for the year ended June 30, 2016 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 11 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 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.

MOSS ADAMS LLP*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 (Board of County Commissioners 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016 on our consideration of Multnomah County Library District's 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 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 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.

Report on Other Legal and Regulatory Requirements

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 21, 2016 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
Certified Public Accountants
Eugene, Oregon
December 21, 2016

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Department of County Management

MULTNOMAH COUNTY OREGON

501 SE Hawthorne Blvd, Suite 531

Portland, Oregon 97214

(503) 988-3786 phone

(503) 988-3292 fax



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, 2016. Multnomah County (the County) and the District have entered into an intergovernmental agreement 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.

We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in our 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, 2016 by \$68,866,359. Of this amount \$9,630,791 is restricted for Library operations and \$4,564,230 is unrestricted and may be used to meet ongoing obligations.
- Total net position as of June 30, 2016 was \$68,866,359, a decrease of \$1,510,607. This change is primarily due to a decrease in capital assets because of depreciation expense of \$6,701,975 and a \$3,926,064 increase in property tax revenue, the District's largest revenue source. For fiscal year 2016 the District recognized \$72,656,411 in property taxes. The District's property tax rate was \$1.18 per \$1,000 of assessed value for fiscal year 2016. Total expenses for the District in the second year were \$77,704,403. All of the District's expenses were used to support Library operations.
- Total assets for the District were \$69,120,632, of this \$9,885,064 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, 2016 the District's governmental funds reported ending fund balance of \$11,259,554, an increase of 75 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 statement* is 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 County'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 funds are governmental funds.

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 19-24 of this report.

Financial analysis of the district

Net position may serve as a useful indicator of a government's financial condition. As noted earlier, the District's total assets exceeded its liabilities and deferred inflows of resources by \$68,866,359. 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, 2016.

Multnomah County Library District Statement of Net Position June 30,

	2016	2015
Cash and investments	\$ 10,925,670	\$ 6,151,854
Receivables	3,523,624	3,055,610
Capital assets, net	54,671,338	61,636,006
Total assets	<u>69,120,632</u>	<u>70,843,470</u>
Liabilities – due to other governments	<u>254,273</u>	<u>401,004</u>
Deferred inflows of resources	<u>-</u>	<u>65,500</u>
Net position:		
Net investment in capital assets	54,671,338	61,636,006
Restricted for library operations	9,630,791	7,840,195
Unrestricted	4,564,230	900,765
Total net position	<u>\$ 68,866,359</u>	<u>\$ 70,376,966</u>

Multnomah County Library District Changes in Net Position June 30,

	2016	2015
Program revenues:		
Fines, fees and charges for services	\$ 1,482,054	\$ 1,967,763
Operating grants and contributions	2,188,861	1,604,737
General Revenues:		
Property taxes	72,656,411	68,730,347
Interest earnings	129,163	72,269
Gain (loss) on disposal of capital assets	(262,693)	-
Total revenues	<u>76,193,796</u>	<u>72,375,116</u>
Expenses		
Operating expenses:		
Library services	<u>77,704,403</u>	<u>67,975,589</u>
Total expenses	<u>77,704,403</u>	<u>67,975,589</u>
Increase (decrease) in net position	(1,510,607)	4,399,527
Beginning net position	<u>70,376,966</u>	<u>4,341,433</u>
Transfer of capital assets from County to District	-	61,636,006
Ending net position	<u>\$ 68,866,359</u>	<u>\$ 70,376,966</u>

Fund financial analysis

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. Unassigned 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 \$6,695,324 and the assigned fund balance was \$4,564,230 at June 30, 2016. 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 18) in accordance with Oregon budget law and prior to the start of the fiscal year. The adopted budget was not amended during fiscal year 2016; therefore the original and final budgets are the same.

The District's actual expenditures were below the total budgeted expenditures by \$10,551,102 or 12.9 percent for the period from July 1, 2015 through June 30, 2016. 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 County library operations.

Economic factors and budget information for next year

The District's adopted budget for fiscal year 2017 total \$89,447,920, which represents an increase of \$7,894,390 or 9.7 percent from the prior year. Property tax revenues are the single largest source of revenue for the District. Property tax revenues are expected to increase in fiscal year 2016 by 5.9 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, 2017.

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, 2016

	Primary Government Governmental Activities
ASSETS	
Current assets (unrestricted):	
Cash and investments	\$ 4,539,986
Receivables:	
Accounts	24,244
Current assets (restricted):	
Cash and investments	6,385,684
Receivables:	
Taxes	3,245,107
Accounts	254,273
Non-current assets:	
Capital assets (not being depreciated)	3,343,953
Other capital assets (net of accumulated depreciation)	51,327,385
Total assets	69,120,632
LIABILITIES	
Current liabilities (payable from restricted assets):	
Accounts payable	69
Payable to Multnomah County	254,204
Total liabilities	254,273
NET POSITION	
Net investment in capital assets	54,671,338
Restricted for:	
Expendable - Library operations	9,630,791
Unrestricted	4,564,230
Total net position	\$ 68,866,359

The notes to this financial 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, 2016

	Program Revenues				Net (Expense) Revenues and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Activities
Primary government: Library services and operations	\$ 77,704,403	\$ 1,482,054	\$ 2,188,861	\$ -	\$ (74,033,488)
Total governmental activities	\$ 77,704,403	\$ 1,482,054	\$ 2,188,861	\$ -	\$ (74,033,488)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					72,656,411
Interest and investment earnings					129,163
Gain (loss) on disposal of capital assets					(262,693)
Total general revenues					72,522,881
Change in net position					(1,510,607)
Net position - beginning					70,376,966
Net position - ending					\$ 68,866,359

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 Fund
June 30, 2016

	General Fund
ASSETS	
Unrestricted:	
Cash and investments	\$ 4,539,986
Receivables:	
Accounts	24,244
Restricted:	
Cash and investments	6,385,684
Receivables:	
Taxes	3,245,107
Accounts	254,273
Total assets	\$ 14,449,294
LIABILITIES	
Liabilities payable from restricted assets:	
Accounts payable	\$ 69
Due to other governments	254,204
Total liabilities	254,273
DEFERRED INFLOWS OF RESOURCES	
Resources not yet available (restricted):	
Property taxes	2,935,467
Total deferred inflows of resources	2,935,467
FUND BALANCE	
Restricted	6,695,324
Assigned	4,564,230
Total fund balance	11,259,554
Total liabilities, deferred inflows of resources and fund balance	\$ 14,449,294

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 Fund
As of June 30, 2016

Fund balances - governmental fund		\$ 11,259,554
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund:</p>		
Governmental capital assets	\$ 125,882,225	
Less accumulated depreciation	(71,210,887)	54,671,338
<p>Deferred inflows represent amounts that were not available to fund current expenditures and therefore are only reported in the governmental funds:</p>		
Property taxes		2,935,467
Net position of governmental activities		\$ 68,866,359

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 Fund
For the Year Ended June 30, 2016

	General Fund
REVENUES	
Taxes	\$ 72,027,381
Payments in lieu of taxes	44
Intergovernmental	310,455
Licenses and permits	115,284
Charges for services	1,352,683
Interest	129,163
Other:	
Non-governmental grants	1,878,406
Miscellaneous	14,087
Total revenues	75,827,503
EXPENDITURES	
Current:	
Intergovernmental - Payments to Multnomah County	71,002,428
Total expenditures	71,002,428
Net change in fund balance	4,825,075
Fund balances - beginning	6,434,479
Fund balances - ending	\$ 11,259,554

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, 2016

Net change in fund balance - governmental fund	\$ 4,825,075
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the costs of those assets are depreciated over their estimated useful lives.	
Current year depreciation expense	(6,701,975)
Loss on disposal of capital assets	(262,693)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds:	
Increase in deferred inflows of resources - property taxes	<u>628,986</u>
Change in net position of governmental activities	<u><u>\$ (1,510,607)</u></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
General Fund
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Taxes - property	\$ 71,406,267	\$ 71,406,267	\$ 72,027,381	\$ 621,114
Payments in lieu of taxes	-	-	44	44
Intergovernmental	115,000	115,000	310,455	195,455
Licenses and permits	115,000	115,000	115,284	284
Charges for services	1,391,000	1,391,000	1,352,683	(38,317)
Interest	50,000	50,000	129,163	79,163
Other:				
Non-governmental grants	2,131,209	2,131,209	1,878,406	(252,803)
Miscellaneous	100	100	14,087	13,987
Total revenues	<u>75,208,576</u>	<u>75,208,576</u>	<u>75,827,503</u>	<u>618,927</u>
EXPENDITURES				
Current:				
Payments to County for library operations	74,133,930	74,133,930	71,002,428	3,131,502
Contingency	7,419,600	7,419,600	-	7,419,600
Total expenses	<u>81,553,530</u>	<u>81,553,530</u>	<u>71,002,428</u>	<u>10,551,102</u>
Net change in fund balances	(6,344,954)	(6,344,954)	4,825,075	11,170,029
Fund balances - beginning	<u>6,344,954</u>	<u>6,344,954</u>	<u>6,434,479</u>	<u>89,525</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,259,554</u>	<u>\$ 11,259,554</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, 2016

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 fund financial statement provides information about the District's primary (and only) operating fund, the General Fund.

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.

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2016

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 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 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.

D. Assets, deferred outflows, 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.

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 & 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.

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2016

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 \$5,000. 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 20 years	5,000
Buildings and improvements	40 years	100,000

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.

Fund balances / net position

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 as fines, fees and charges for services that do not carry any constraints on spending.

On the governmental fund balance sheet, the District’s fund balances, equity is classified as restricted and 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. There were no nonspendable, committed, or unassigned fund balances at June 30, 2016.

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2016

Intergovernmental agreements

The District and the County have entered into an intergovernmental agreement (IGA) that states the County will be reimbursed for the cost of library operations by the District. 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, 2017. The agreement may be renewed upon written agreement of both parties.

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.

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, 2016, the District's share of the County's cash and investment pool totaled \$10,925,670. Of this amount \$6,385,684 is restricted by external grant agreements and the requirements of the District's property tax levy.

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2016

B. Receivables

For fiscal year ended June 30, 2016, the District levied property taxes in the amount of \$72,027,381. The tax rate for fiscal year 2015-2016 was \$1.18 per \$1,000 of assessed value. Property tax receivable at June 30, 2016 was \$3,245,107, which is reported as restricted. The remaining restricted accounts receivable of \$254,273 represents grants and contributions.

C. Capital assets

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and land improvements	\$ 3,343,953	\$ -	\$ -	\$ 3,343,953
Total not being depreciated	3,343,953	-	-	3,343,953
Capital assets being depreciated:				
Buildings	64,879,047	-	(688,468)	64,190,579
Equipment	53,917,358	-	-	53,917,358
Works of art	4,430,335	-	-	4,430,335
Total being depreciated	123,226,740	-	(688,468)	122,538,272
Accumulated depreciation	(64,934,687)	(6,701,975)	425,775	(71,210,887)
Capital assets being depreciated, net	58,292,053	(6,701,975)	(262,693)	51,327,385
Total capital assets	\$ 61,636,006	\$ (6,701,975)	\$ (262,693)	\$ 54,671,338

D. Transactions with Multnomah County

In fiscal year 2016, the District made payments in the amount of \$77,704,403 to the County for library services and operations under the IGA.

E. Net position and fund balances

As of June 30, 2016, the government wide statement of net position reports \$9,630,791 of restricted net position. Of this amount, \$9,617,079 is restricted by enabling legislation for library operations and \$13,712 is restricted by external grantors and contributors for special library programs. The district reported \$54,671,338 of net investment in capital assets. The remaining amount of \$4,564,230 is reported as unrestricted.

Fund balances for governmental funds reports \$6,695,324 restricted fund balance. Of this amount, \$6,681,612 is restricted by enabling legislation for library operations and \$13,712 is restricted by external grantors and contributors for special library programs. The remaining amount of \$4,564,230 is reported as assigned fund balance in the governmental fund.

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2016

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, 2016, interfund premiums exceeded reimbursable expenditures. Settlements have not exceeded the County's coverage balance for each of the past three fiscal years.

B Pension plans

The District itself does not have any employees but is serviced by the County employees who are covered under the County's pension plans and other benefit plans. The County's Comprehensive Annual Financial Report (CAFR) provides further details on these plans. The CAFR is posted on line at: <https://multco.us/finance/financial-reports>

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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, 2016
(unaudited)

Tax Year	Taxes Receivable June 30, 2015	Current Levy	Add (Deduct) Corrections and Adjustments	Add Interest on Delinquent Taxes	Add Urban Renewal Closure	Deduct Discounts Allowed	Deduct Collections Including Interest on Delinquent Taxes	Taxes Receivable June 30, 2016
2015-16	\$ -	\$ 74,655,254	\$ (200,982)	\$ 30,195	\$ -	\$ (1,931,286)	\$ (70,922,641)	\$ 1,630,540
2014-15	1,664,175	-	(64,429)	56,101	-	1,628	(739,381)	918,094
2013-14	948,899	-	(3,084)	54,447	-	50	(303,839)	696,473
	<u>\$ 2,613,074</u>	<u>\$ 74,655,254</u>	<u>\$ (268,495)</u>	<u>\$ 140,743</u>	<u>\$ -</u>	<u>\$ (1,929,608)</u>	<u>\$ (71,965,861)</u>	<u>\$ 3,245,107</u>

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

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**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 *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"), as of and for the year ended June 30, 2016 and have issued our report thereon dated December 21, 2016. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the 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 162-010-000 to 162-010-330, 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 2016 and 2017.
- 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.

MOSS ADAMS_{LLP}

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
Certified Public Accountants
Eugene, Oregon
December 21, 2016

**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 AUDITING 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 business-type activities of Multnomah County Library District, (the District), a Component Unit of Multnomah County, Oregon, as of and for the year ended June 30, 2016 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 21, 2016.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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.

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*.

MOSS ADAMS_{LLP}

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 21, 2016