

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

**Financial Statements and Reports of
Independent Auditors**

**For the Period From Inception on
July 1, 2013 to June 30, 2014**



Prepared by:
Department of County Management
Joseph Mark Campbell, Chief Financial Officer
501 SE Hawthorne Blvd, Suite 531
Portland, Oregon 97214

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Table of Contents

Introductory Section:	<u>Pages</u>
Board of County Commissioners	i
Transmittal Letter	ii - iv
 Financial Section:	
Report of Independent Auditors	1-3
Management Discussion and Analysis	4-7
 Basic Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Balance Sheet – Governmental Fund	10
Reconciliation of the Governmental Fund Balance Sheet to The Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Fund	12
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	13
Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – General Fund	14
Notes to Basic Financial Statements	15-19
 Supplementary Information:	
Schedule of Property Tax Collections and Outstanding Balances	20
 Reports of Independent Auditors Required by State Statutes:	
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 <i>Oregon Minimum Audit Standards</i>	21-22
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 <i>Government Auditing Standards</i>	23-24

INTRODUCTORY SECTION

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

BOARD OF COUNTY COMMISSIONERS* AS OF JUNE 30, 2014
501 SE Hawthorne Blvd, 6th floor
Portland, Oregon 97214

Term Expires

Deborah Kafoury, Chair of the Board	December 31, 2018
Jules Bailey, Commissioner District 1	December 31, 2018
Loretta Smith, Commissioner District 2	December 31, 2018
Judy Shiprack, Commissioner District 3	December 31, 2016
Diane McKeel, Commissioner District 4	December 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.

Department of County Management

MULTNOMAH COUNTY OREGON

501 SE Hawthorne Blvd, Suite 531

Portland, Oregon 97214

(503) 988-3786 phone

(503) 988-3292 fax



November 3, 2014

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 period from inception on July 1, 2013 to June 30, 2014. 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 (US 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 voters 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 (MCLD) on July 1, 2013 as a separate taxing district for the Library as a mechanism to secure permanent funding for Library operations. The Library District's boundaries are contiguous with those of Multnomah County. The library district tax replaces the library's previous funding model of temporary local option levies and annual contributions from Multnomah County's General Fund. Library 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 14 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 district west of the Mississippi, with a history that reaches back to 1864. During 2014, Multnomah County Library (MCL) celebrated 150 years of service to this community.

FACTORS AFFECTING FINANCIAL CONDITION

The Multnomah County Library District provides library funding to a countywide population of 756,530 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, ebooks, and more.

Fiscal year 2014 marked the first full year of the newly created Multnomah County Library 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 replaces a lower local option rate of \$0.89 and addresses significant cuts the Library experienced in fiscal year 2013.

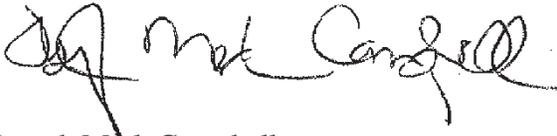
Property taxes are the District's largest revenue source accounting for almost 95% of total budgeted revenues for fiscal year 2014. Property taxes have remained relatively insulated from declining real estate values. Property taxes are governed by two state constitutional measures, Measure 5 and Measure 50, which set limits on the amount of tax that can be collected. In general, property tax values cannot grow by more than 3% year over year. For fiscal year 2015, property tax collections are expected to increase by 4.7% 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 2015, the District will levy the same rate as the prior year, \$1.18 per \$1,000. The Library District permanent tax rate supports the County's library system in accordance with the intergovernmental agreement between Multnomah County and the Library District.

AWARDS AND ACKNOWLEDGEMENTS

I would like to acknowledge the help of the Finance Division staff, who aided me in the preparation of this report. I appreciate their excellent work. I also want to thank the staff in 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 a large initial "J" and "M".

Joseph Mark Campbell
Chief Financial Officer

FINANCIAL SECTION

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 the governmental activities, the major fund, and the respective budgetary comparison for the General Fund of the Multnomah County Library District ("the District"), a component unit of Multnomah County, Oregon for the period from inception on July 1, 2013 through June 30, 2014, 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.

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, 2014, and the respective changes in financial position and the respective budgetary comparisons for the period 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 4 through 7 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.

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) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

MOSS ADAMS_{LLP}

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 18, 2014 on our consideration of the 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 the 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 18, 2014 on our consideration of the 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.



For Moss Adams LLP
Eugene, Oregon
December 18, 2014

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, we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the period from inception on July 1, 2013 to June 30, 2014. Multnomah County and the Library 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 ii-iv of this report.

Financial Highlights

Government-wide Statements

- The District's assets exceeded its liabilities at June 30, 2014 by \$4,341,433. Of this amount \$2,692,019 is restricted for Library operations and \$1,649,414 is unrestricted and may be used to meet ongoing obligations.
- Total net position at the end of the first year of operations was \$4,341,433. This increase is due to the formation of the District on July 1, 2013. The District's largest revenue source is property taxes. For fiscal year 2014 the District recognized \$64,265,427 in proper taxes. The District's property tax rate is \$1.18 per \$1,000 of assessed value. Total expenses for the District in the first year were \$62,880,556. All of the District's expenses were used to support County Library operations.
- Total assets for the District were \$4,636,313, of this \$2,986,899 is recorded as restricted by the approved property tax levy or by contracts with the District's grantors or contributors.

Fund Statements

- At June 30, 2014 the District's governmental funds reported ending fund balance of \$2,824,325, an increase of 100% over the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Library 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 other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statement* 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, liabilities and deferred inflows of resources 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 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 15-19 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 by \$4,341,433. 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, 2014.

**Multnomah County Library District
Statement of Net Position**

	June 30, 2014
Cash and investments	\$ 2,566,625
Receivables	2,069,688
Total assets	4,636,313
Liabilities – due to other governments	244,880
Deferred inflows of resources	50,000
Net position:	
Restricted for library operations	2,692,019
Unrestricted	1,649,414
Total net position	\$ 4,341,433

**Multnomah County Library District
Changes in Net Position**

	2014
Revenues	
Program revenues:	
Fines, fees and charges for services	\$ 1,616,643
Operating grants and contributions	1,308,152
General Revenues:	
Property taxes	64,265,427
Interest earnings	31,767
Total revenues	\$ 67,221,989
Expenses	
Operating expenses:	
Library services	\$ 62,880,556
Total expenses	62,880,556
Increase in net position	4,341,433
Beginning fund net position	-
Ending fund net position	\$ 4,341,433

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 \$1,174,911 and the Unassigned fund balance was \$1,649,414 at June 30, 2014. 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 14) in accordance with Oregon budget law and prior to the start of the fiscal year. The adopted budget was not amended; therefore the original and final budgets are the same.

The District's actual expenditures were below the total budgeted expenditures by \$3,401,498 or 5% for the period from inception on July 1, 2013 through June 30, 2014. Budgeted expenditures are based on the amount of projected 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 revenues for fiscal year 2015 total \$70,460,353, which represents an increase of \$4,178,299 or 6% 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 2015 by 4.7% 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, 2014 and may be renewed upon written agreement of both parties. The District and the County have renewed the IGA through fiscal year 2015.

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, 2014

	Primary Government
	Governmental Activities
ASSETS	
Unrestricted:	
Cash and investments	\$ 1,543,585
Receivables:	
Accounts	105,829
Restricted:	
Cash and investments	1,023,040
Receivables:	
Taxes	1,718,979
Accounts	244,880
Total assets	\$ 4,636,313
LIABILITIES	
Liabilities payable from restricted assets:	
Payable to Multnomah County	\$ 244,880
Total liabilities	244,880
DEFERRED INFLOWS OF RESOURCES	
Resources received before time requirements met	50,000
Total deferred inflows of resources	50,000
NET POSITION	
Restricted for:	
Expendable - Library operations	2,692,019
Unrestricted	1,649,414
Total net position	\$ 4,341,433

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

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Statement of Activities
For the period from inception on July 1, 2013 to June 30, 2014

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u> <u>Revenues and Changes</u> <u>in Net Position</u>	
	<u>Expenses</u>	<u>Fees, Fines</u> <u>and Charges</u> <u>for Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital Grants</u> <u>and</u> <u>Contributions</u>	<u>Primary Government</u>
Primary government:					
Governmental activities:					
Library services and operations	\$62,880,556	\$ 1,616,643	\$ 1,308,152	\$ -	\$ (59,955,761)
Total Library District	<u>\$62,880,556</u>	<u>\$ 1,616,643</u>	<u>\$ 1,308,152</u>	<u>\$ -</u>	<u>\$ (59,955,761)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes				\$ 64,265,427	
Interest and investment earnings				31,767	
Total general revenues				<u>64,297,194</u>	
Change in net position					4,341,433
Net position - beginning					-
Net position - ending					<u>\$ 4,341,433</u>

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, 2014

	General Fund
ASSETS	
Unrestricted:	
Cash and investments	\$ 1,543,585
Receivables:	
Accounts	105,829
Restricted:	
Cash and investments	1,023,040
Receivables:	
Taxes	1,718,979
Accounts	244,880
Total assets	\$ 4,636,313
LIABILITIES	
Liabilities payable from restricted assets:	
Due to other governments	\$ 244,880
Total liabilities	244,880
DEFERRED INFLOWS OF RESOURCES	
Resources not yet available:	
Property taxes	1,517,108
Resources received before time requirements met	50,000
Total deferred inflows of resources	1,567,108
FUND BALANCES	
Restricted	1,174,911
Unassigned	1,649,414
Total fund balances	2,824,325
Total liabilities, deferred inflows of resources and fund balances	\$ 4,636,313

The notes to this financial statement 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, 2014

Total fund balance - Governmental Fund	2,824,325
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred inflows represents amounts that were not available to fund current expenditures and therefore are not reported in the governmental funds.	
Property taxes	<u>1,517,108</u>
Net Position of Governmental Activities	<u><u>4,341,433</u></u>

The notes to this financial statement 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
Governmental Fund
For the period from inception on July 1, 2013 to June 30, 2014

	General Fund
REVENUES	
Taxes	\$ 62,748,319
Intergovernmental	500,741
Licenses and permits	115,863
Charges for services	1,500,814
Interest	31,767
Other:	
Non-governmental grants	750,494
Miscellaneous	56,883
Total revenues	65,704,881
 EXPENDITURES	
Current:	
Intergovernmental - Payments to Multnomah County	62,880,556
Total expenditures	62,880,556
Net change in fund balances	2,824,325
Fund balance - beginning	-
Fund balance - ending	\$ 2,824,325

The notes to this financial statement 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 Balances to the Statement of Activities
Governmental Fund
For the period from inception on July 1, 2013 to June 30, 2014

Net change in fund balances - Governmental Fund \$ 2,824,325

Amounts reported for governmental activities in the statement of net position are different because:

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 1,517,108

Change in net position of governmental activities \$ 4,341,433

The notes to this financial statement 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 period from inception on July 1, 2013 to June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes - property	\$ 62,577,421	\$ 62,577,421	\$ 62,748,319	\$ 170,898
Intergovernmental	1,208,075	1,208,075	500,741	(707,334)
Licenses and permits	125,000	125,000	115,863	(9,137)
Charges for services	1,568,841	1,568,841	1,500,814	(68,027)
Interest	48,539	48,539	31,767	(16,772)
Other:				
Non-governmental grants	702,678	702,678	750,493	47,815
Miscellaneous	51,500	51,500	56,884	5,384
Total revenues	<u>66,282,054</u>	<u>66,282,054</u>	<u>65,704,881</u>	<u>(577,173)</u>
EXPENDITURES				
Payments to County for library operations	<u>66,282,054</u>	<u>66,282,054</u>	<u>62,880,556</u>	<u>3,401,498</u>
Net change in fund balances	-	-	2,824,325	2,824,325
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>2,824,325</u>	<u>\$ 2,824,325</u>

The notes to this financial statement 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, 2014

Note A. Summary of significant accounting policies

1. Reporting entity

In 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). Subsequently, in August 2012, the County 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 (MCLD) was created on July 1, 2013 with the approval of measure 23-143. The effect of passing this measure created a library district with a permanent 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 Multnomah County Board of Commissioners (the Board) is the governing body of the District. The boundaries for MCLD include all territory within Multnomah County. Since Multnomah County is financially accountable for and significantly influences the operations of the District, the District is included in the financial statements of Multnomah County as a special revenue fund.

2. 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) and its component units. 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 operating fund, the General Fund.

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

The District's basic 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. The measurement focus is on the flow of economic resources. 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, 2014

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). US 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.

4. Cash and investments

The District's cash and investments are deposited in the County's investment pool. The District's cash and investments participate in this 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 Comprehensive Annual Financial Report (CAFR) and may be obtained by contacting the County's Finance Division at 501 SE Hawthorne Boulevard, Suite 531, Portland, OR 97214 or found on line at:

<https://multco.us/finance/financial-reports>

5. 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 15, February 15 and May 15. All property taxes receivable are due from property owners within the District. Property tax receivables are deemed to be substantially collectible or recoverable though foreclosure. 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, 2014

6. Deferred inflows of resources

Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. In the Statement of Net Position this includes resources that are received before the District has met eligibility requirements related to time. In the governmental fund financial statements, deferred inflows of resources also include revenues that are measurable but not available.

7. 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 its 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 carry the same restrictions as noted above for net position. Unassigned fund balance has not been restricted to a specific purpose.

8. Intergovernmental agreements

Multnomah County and the District 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, 2015. The agreement may be renewed upon written agreement of both parties.

9. Use of estimates

In preparing the basic financial statements in conformity with accounting principles generally accepted in the United States of America (US 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.

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2014

Note B. Stewardship, compliance, and accountability

Budgets

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 US 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 County Board of Commissioners for approval. The Board holds public hearings and a final budget must be prepared and adopted no later than June 30.

The adopted budget is prepared by fund and department. The County's department managers may make transfers of appropriations within a department and fund. Transfers and changes (increases) of appropriations between departments or funds require the approval of the Board. The legal level of budgetary control, (i.e., the level at which expenditures may not legally exceed appropriations) is the fund and department level.

Note C. Detailed notes on the Fund

1. 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, 2014 the District's share of the County's cash and investment pool totaled \$2,566,625. Of this amount \$1,023,040 is restricted by external grant agreements and the requirements of the District's property tax levy.

2. Transactions with Multnomah County

In fiscal year 2014, the District made payments in the amount of \$62,880,556 to Multnomah County for library services and operations under the IGA.

Note D. Receivables

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 15, February 15, and May 15. All property taxes receivable are due from property owners within the District. For fiscal year 2013-2014, the District levied property taxes in the amount of \$66,091,665. The tax rate for fiscal year 2013-2014 was \$1.18 per \$1,000 of assessed value. Property tax receivable at June 30, 2014 was \$1,718,979, which is reported as restricted. The remaining restricted accounts receivable of \$244,880 represents grants and contributions.

Property tax receivables are deemed to be substantially collectible or recoverable through foreclosure. Accordingly, no allowance for doubtful tax accounts is deemed necessary. The District's remaining receivables represent grants or contributions which are deemed fully collectible.

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Notes to Basic Financial Statements
June 30, 2014

Note E. Net position and fund balances

As of June 30, 2014, the government wide statement of net position reports \$2,692,019 of restricted net position. Of this amount, \$2,688,049 is restricted by enabling legislation for library operations and \$3,970 is restricted by external grantors and contributors for special library programs. The remaining amount of \$1,649,414 is reported as unrestricted.

Fund balances for governmental funds reports \$1,170,941 restricted by enabling legislation for library operations and \$3,970 restricted grant resources for special programs. The same amount reported above as unrestricted net position is reported as unassigned fund balance in governmental funds.

Note F. 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 expenditure reported in the Risk Management Fund. As of June 30, 2014, interfund premiums exceeded reimbursable expenditures. Settlements have not exceeded the County's coverage balance for each of the past three fiscal years.

Note G. Pension plans

The District itself does not have any employees but is serviced by Multnomah 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

MULTNOMAH COUNTY LIBRARY DISTRICT
(A component unit of Multnomah County, Oregon)
Schedule of Property Tax Collections and Outstanding Balances
For the period from inception on July 1, 2013 to June 30, 2014

Tax Year	Taxes Receivable June 30, 2013	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, 2014
2013-14	\$ -	\$66,091,665	\$ (169,574)	\$ 25,828	\$ (1,682,799)	\$(62,546,141)	\$ 1,718,979
	\$ -	\$66,091,665	\$ (169,574)	\$ 25,828	\$ (1,682,799)	\$(62,546,141)	\$ 1,718,979

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

**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 the Multnomah County Library District (the “District”) as of and for the year ended June 30, 2014 and have issued our report thereon dated December 18, 2014. 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 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 from material misstatement.

Compliance

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, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

OAR	Title	Instances of Non-Compliance Identified?
162-010-0230	Accounting Records and Internal Control	None Noted
162-010-0240	Public Fund Deposits	None Noted
162-010-0250	Indebtedness	Not Applicable
162-010-0260	Budget	None Noted
162-010-0270	Insurance and Fidelity Bonds	None Noted
162-010-0280	Programs Funded from Outside Sources	None Noted
162-010-0295	Highway Funds	Not Applicable
162-010-0300	Investments	None Noted
162-010-0310	Public Contracts and Purchasing	None Noted
162-010-0315	State School Fund	Not Applicable
162-010-0316	Public Charter Schools	Not Applicable
162-010-0320	Other Comments and Disclosures	None Noted

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 Minimum Standards for Audits of Oregon 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 18, 2014

**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 Multnomah County Library District, (the District), a Component Unit of Multnomah County, Oregon, as of and for the year ended June 30, 2014, 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 18, 2014.

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 opinion 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*.

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 18, 2014