

KLAMATH COUNTY LIBRARY SERVICE DISTRICT

A COMPONENT UNIT OF KLAMATH COUNTY, OREGON



ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

JUNE 30, 2021

Prepared by:

Finance Department

**Klamath County Library Service District
Annual Financial Report
For the Year Ended June 30, 2021
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INTRODUCTORY SECTION

**Klamath County Library Service District
List of Elected and Appointed Officials
June 30, 2021**

Board of Directors

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Donnie Boyd	County Commissioner	January 7, 2025
Kelley Minty Morris	County Commissioner	January 3, 2023
Derrick DeGroot	County Commissioner	January 7, 2025

Appointed Officials

Nathalie Johnston	Registered Agent
Vickie Noel	Treasurer & Finance Director
Marcus Henderson	County Counsel

Mailing Address

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

FINANCIAL SECTION

REPORT OF INDEPENDENT AUDITORS

Report of Independent Auditors

The Board of Commissioners
Klamath County Library Service District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Klamath County Library District (the District), a component unit of Klamath County, Oregon as of and for the year ended June 30, 2021, and the related notes to the financial statements. We did not audit the aggregate discretely presented component units. These financial statements 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. Because of the matter described in the "Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units" paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide an audit opinion on the aggregate discretely presented component units.

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.

Summary of Opinions

Governmental Activities
Aggregately Discretely Presented Component Units
Governmental Fund – General Fund
Governmental Fund – Capital Projects Fund

Type of Opinion

Unmodified
Disclaimer
Unmodified
Unmodified

Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units

The financial statements of Klamath County Library Foundation (KCLF) and Friends of the Klamath County Library (FKCL) have not been audited, and we were not engaged to audit the KCLF and FKCL financial statements as part of our audit of the District's basic financial statements. KCLF and FKCL's financial activities are included in the District's basic financial statements as discretely presented component units and collectively represent 100% of the assets, net position, and revenues, of the District's aggregate discretely presented component units.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Aggregate Discretely Presented Component Units" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the aggregate discretely presented component units of the District. Accordingly, we do not express an opinion on these financial statements.

Unmodified 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 each major fund of the District as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's analysis and discussion on pages 4 through 7, the budgetary schedule on page 21 and the notes on page 22 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 management discussion and analysis 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison information on page 21 and notes on page 22 are 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. The budgetary comparison 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 budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 budgetary comparison on page 23, combining statements on pages 24 to 25, and schedule of property tax transactions on page 26; each as listed in the table of contents (collectively, the supplementary information), are presented for purposes of additional analysis and are 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 as described above 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 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.

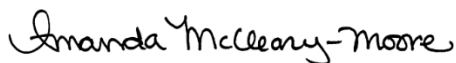
Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2021 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 District's internal control over financial reporting and compliance.

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

In accordance with the Minimum Standards for Audits of Oregon Municipal Corporations, we have issued our report dated December 22, 2021 on our consideration of the District's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.



Amanda McCleary-Moore, Partner for
Moss Adams LLP
Medford, Oregon
December 22, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Klamath County Library Service District

Management's Discussion and Analysis

June 30, 2021

As management of Klamath County Library Service District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements.

Financial Highlights

- Government wide, assets exceeded liabilities at the close of the most recent fiscal year by \$5,442,499 (net position).
- The government's total net position decreased by \$11,066, in comparison with the prior year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,073,172, a decrease of \$8,131, in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,808,263.

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the government's assets and liabilities, with the difference between the two 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 government is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. 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).

Both the government-wide financial statements distinguish functions of the government that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include library services and reserves for future needs of the District.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are in one category: governmental funds.

Governmental funds: Governmental funds are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. There is a reconciliation to facilitate this comparison between governmental funds and governmental activities included in the basic financial statements.

The District maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and the capital projects fund. The capital projects fund accounts for the accumulation of resources for acquisitions of capital assets or construction of major capital projects.

**Klamath County Library Service District
Management's Discussion and Analysis
June 30, 2021**

The District adopts an annual budget for all of its funds. Budgetary comparison statements for the major governmental funds have been provided for in the required supplementary information. The basic governmental fund financial statements can be found on pages 10 through 12 of this report.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$5,442,499 at the close of the most recent fiscal year.

Part of the District's net position (39.6%) reflects its investment in capital assets (e.g., land, construction in progress, buildings and system, machinery and equipment and vehicles) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since that capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net position \$3,286,137 (60.38%) may be used to meet the government's ongoing obligations to citizens and creditors.

	Governmental Activities	
	2021	2020
Current and other assets	\$ 3,360,950	\$ 3,426,722
Capital assets	2,155,995	2,132,404
Total assets	<u>5,516,944</u>	<u>5,559,126</u>
Other liabilities	74,445	105,561
Total liabilities	<u>74,445</u>	<u>105,561</u>
Investment in Capital assets	2,155,995	2,132,404
Restricted	367	4,294
Unrestricted	3,286,137	3,316,867
Total net position	<u>\$ 5,442,499</u>	<u>\$ 5,453,565</u>

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

The government's net position decreased by \$11,066 during the current fiscal year. The largest factor for this decrease is the decrease in cash and other current assets.

**Klamath County Library Service District
Management's Discussion and Analysis
June 30, 2021**

Key elements of the changes in net position are as follows:

	Governmental Activities	
	2021	2020
Revenues:		
Program revenues:		
Charges for services	\$ 19,618	\$ 23,397
Operating grants and contributions	102,649	88,829
General revenues:		
Property taxes	2,941,014	2,906,428
Unrestricted investment earnings	8,174	97,791
Miscellaneous	11,173	5,073
Total revenues	<u>3,082,628</u>	<u>3,121,518</u>
Expenses:		
Library services	<u>3,093,694</u>	<u>2,691,537</u>
Total expenses	<u>3,093,694</u>	<u>2,691,537</u>
Increase (decrease) in net position	(11,066)	429,983
Net position, beginning	<u>5,453,565</u>	<u>5,023,582</u>
Net position, ending	<u>\$ 5,442,499</u>	<u>\$ 5,453,565</u>

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,073,172 a decrease of \$8,131 from the prior year. Of this amount, \$367 is non-spendable and \$1,264,542 is assigned for capital projects. The assigned and unassigned fund balances are available for spending at the District's discretion.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,808,263. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to the total fund expenditures. The unassigned fund balance represents 58.45% of total general fund expenditures.

During the current fiscal year, the fund balance of the District's general fund decreased by \$87,321. The key contributor to the decrease in the fund balance was an increase in fund expenditures.

The capital projects fund has a fund balance of \$1,264,542, all of which is assigned for capital expenditures. The net increase in fund balance during the current year was \$79,190. The reason for this increase was mainly due to the increase of the beginning fund balance.

Budgetary Highlights

The District budgets all funds in compliance with Oregon budget law. The District did adopt supplemental budgets during the year for materials and service costs. All of the budget changes were done by resolution and or a supplemental budget as required by Oregon budget law.

**Klamath County Library Service District
Management's Discussion and Analysis
June 30, 2021**

Capital Asset and Debt Administration

Capital assets: The District's investment in capital assets for its governmental activities as of June 30, 2021, amounts to \$2,155,995 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, machinery and equipment and vehicles. The total decrease in the District's investment in capital assets for the current fiscal year was \$23,591.

There were no major capital asset events during the year.

	Governmental Activities	
	2021	2020
Land	\$ 15,000	\$ 15,000
Buildings and system	2,055,741	2,043,852
Vehicles	51,673	35,292
Machinery and equipment	33,581	38,260
Total	<u>\$ 2,155,995</u>	<u>\$ 2,132,404</u>

Additional information on the District's capital assets can be found in note 5 of this report.

Economic Factors and Next Year's Rates

The current unemployment outlook for Klamath County declined from the previous year. The rate for 2021 was 6.4% compared to 10.7% in 2020. Residential and commercial construction is increasing over the prior fiscal year. Tax revenues are expected to increase by \$55,080 as well as the beginning fund balance in the 2021-22 fiscal year, however, interest earnings are expected to decline, while overall expenses are expected to slightly decrease in the 2021-22 budget.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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Klamath County Library Service District
Statement of Net Position
June 30, 2021

	Governmental Activities	(Unaudited) Component Units
Assets		
Cash and cash equivalents	\$ 3,106,746	\$ 338,405
Accounts receivable	6,851	-
Property taxes receivable	246,156	-
Due to other funds	828	
Prepaid expenses	367	-
Capital assets		
Land	15,000	-
Building and improvements, net	2,055,741	-
Machinery and equipment, net	33,581	-
Vehicles, net	51,673	-
Total Assets	<u>5,516,943</u>	<u>338,405</u>
Liabilities		
Accounts payable	74,445	-
Total Liabilities	<u>74,445</u>	<u>-</u>
Net Position		
Investment in capital assets	2,155,995	-
Restricted	367	-
Unrestricted	3,286,137	338,405
Total Net Position	<u>\$ 5,442,499</u>	<u>\$ 338,405</u>

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

Klamath County Library Service District
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Governmental Activities	(Unaudited) Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Community services	\$ 3,093,694	\$ 19,618	\$ 102,649	\$ -	\$ (2,971,427)	\$ -
Total primary government	<u>\$ 3,093,694</u>	<u>\$ 19,618</u>	<u>\$ 102,649</u>	<u>\$ -</u>	<u>(2,971,427)</u>	<u>-</u>
Component Units:						
Community Services	\$ 77,741	\$ -	\$ 121,210	\$ -		43,469
Total component units	<u>\$ 77,741</u>	<u>\$ -</u>	<u>\$ 121,210</u>	<u>\$ -</u>		<u>43,469</u>
General revenues:						
Property taxes, levied for general purposes					2,941,013	-
Unrestricted investment earnings					8,175	186
Miscellaneous					<u>11,173</u>	<u>-</u>
Total general revenues					<u>2,960,361</u>	<u>186</u>
Change in Net Position					(11,066)	43,654
Net Position - Beginning					<u>5,453,565</u>	<u>294,751</u>
Net Position - Ending					<u>\$ 5,442,499</u>	<u>\$ 338,405</u>

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

Klamath County Library Service District
Balance Sheet – Governmental Funds
June 30, 2021

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,818,736	\$ 1,288,011	\$ 3,106,747
Accounts receivable	6,851	-	6,851
Taxes receivable, net	246,156	-	246,156
Due to other funds	828	-	828
Prepaid expenses	367	-	367
Total assets	<u>\$ 2,072,938</u>	<u>\$ 1,288,011</u>	<u>\$ 3,360,949</u>
Liabilities			
Accounts payable	\$ 50,976	\$ 23,469	\$ 74,445
Total liabilities	<u>50,976</u>	<u>23,469</u>	<u>74,445</u>
Deferred Inflows of Resources			
Unavailable revenue	213,332	-	213,332
Total deferred inflows of resources	<u>213,332</u>	<u>-</u>	<u>213,332</u>
Fund Balances			
Nonspendable	367	-	367
Assigned	-	1,264,542	1,264,542
Unassigned	1,808,263	-	1,808,263
Total fund balances	<u>1,808,630</u>	<u>1,264,542</u>	<u>3,073,172</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,072,938</u>	<u>\$ 1,288,011</u>	
Amounts reported for governmental activities in the statement of net position (page 8) are different because:			
Capital assets used in governmental activities are not financial resource and, therefore, are not reported in the fund.			
			2,155,995
Other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.			
Unavailable revenue			<u>213,332</u>
Net position of governmental activities			<u>\$ 5,442,499</u>

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

Klamath County Library Service District
Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds
For the Year Ended June 30, 2021

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Property taxes	\$ 2,967,539	\$ -	\$ 2,967,539
Licenses, fees, and permits	8,306	-	8,306
Intergovernmental	102,649	-	102,649
Charges for services	11,312	-	11,312
Investment earnings	5,329	2,844	8,173
Miscellaneous	11,173	-	11,173
Total revenues	<u>3,106,308</u>	<u>2,844</u>	<u>3,109,152</u>
Expenses			
Current:			
Community services	2,995,215	122,069	3,117,284
Total expenses	<u>2,995,215</u>	<u>122,069</u>	<u>3,117,284</u>
Excess (deficiency) of revenues over (under) expenses	<u>111,094</u>	<u>(119,225)</u>	<u>(8,131)</u>
Other Financing Sources (Uses)			
Transfer in	-	198,415	198,415
Transfer out	(198,415)	-	(198,415)
Total other financing sources and uses	<u>(198,415)</u>	<u>198,415</u>	<u>-</u>
Net Change in Fund Balances	(87,321)	79,190	(8,131)
Fund Balances - Beginning	<u>1,895,951</u>	<u>1,185,352</u>	<u>3,081,303</u>
Fund Balances - Ending	<u><u>\$ 1,808,630</u></u>	<u><u>\$ 1,264,542</u></u>	<u><u>\$ 3,073,172</u></u>

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

**Klamath County Library Service District
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the Year Ended June 30, 2021**

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

Net change in fund balances - total governmental funds	\$ (8,131)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	23,592
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	<u>(26,526)</u>
Change in net position of governmental activities	<u>\$ (11,066)</u>

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

Klamath County Library Service District
Notes to Financial Statements
June 30, 2021

Note 1 – Summary of Significant Accounting Policies

Organization

The Klamath County Library Service District (the District), was created by the residents of Klamath County through Measure 18-39 on May 16, 2000. The governing body is a three member Board of Directors consisting of the Klamath County Board of Commissioners. The Board of Directors is charged with the responsibility for overseeing operations of the District. The Board is further charged with the selection of a budget committee to oversee the preparation and review of the annual budget.

The following is a summary of significant accounting policies utilized by the County in the preparation of the accompanying financial statements.

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 activities of the District. *Governmental activities*, are normally supported by taxes, intergovernmental revenues, and other non-exchange transactions. The *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting Entity

The accompanying financial statements present the District and its component units, entities for which the District is considered to be financially accountable. The District is a component unit of Klamath County and is presented as a blended component unit. It is governed by a board comprised of the County's Board of Commissioners and county management has operational responsibilities for the District. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Thus, blended component units are appropriately presented as funds of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

Discretely Presented Component Units

Klamath County Library Foundation (the Library Foundation) – The Library Foundation was organized as a legally separate entity in 2004 as a 501(c)(3) not-for-profit organization. The Library Foundation exists for the purpose of promotion of reading and life-long learning through the support of the Klamath County Library by conducting capital campaigns to expand and enhance facilities operated by the Library District. The Library Foundation has no potential component units. The Library Foundation Board consists of four members from the community that direct the functions of the Library Foundation and make decisions regarding the direction of the Library Foundation and the projects it will support. The financial statements of the Library Foundation have not been audited.

Friends of the Klamath County Library (the Friends) - The Friends was formed in 1984 as a legally separate entity under 501(c)(3) as a not-for-profit organization. The Friends exists for the purpose of raising funds for the support of the operations of the Library District. The Friends has no potential component units. The Friends board consists of seven members from the community that direct the functions of Friends and make decisions regarding the direction of Friends and the projects it will support. The financial statements of Friends have not been audited.

Basis of Presentation - Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

As discussed earlier, the government has two discretely presented component units. These component units are aggregated on the government-wide financial statements. Information is presented later in the notes for each of the component units.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges incurred from various other functions of the District where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Klamath County Library Service District
Notes to Financial Statements
June 30, 2021

Note 1 – Summary of Significant Accounting Policies *(continued)*

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- The *capital projects fund* accounts for the accumulation of resources for the construction of a building for the District.

Measurement Focus, Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Budgetary Basis of Accounting

Annual budgets are adopted on a basis consistent with the *modified accrual basis of accounting* with the following exception: interfund loans and repayments are budgeted similar to other debt transactions. The nature and amount of all significant adjustments necessary are noted on the budget to actual statements included in the financial statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The District participates in Klamath County, Oregon Treasurer's Investment Pool (TIP). The TIP operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Information regarding the TIP may be requested by contacting the Klamath County Treasurer's office by mail, at 305 Main Street, Klamath Falls, OR 97601. The District's investment portfolio as of June 30, 2021 is representative of the types of investments made throughout the year.

Klamath County Library Service District
Notes to Financial Statements
June 30, 2021

Note 1 – Summary of Significant Accounting Policies *(continued)*

Receivables

All trade receivables are shown net of allowance for uncollectibles. Allowances for uncollectibles on trade accounts receivables is based on the District's expected net write-offs for the next year based upon past history.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The costs of governmental fund-type prepaid expenses are recorded as expenditures when purchased rather than when consumed, and are offset on the balance sheet with a reserve for prepaid expenses account.

Capital Assets

Capital assets, which includes property, equipment, infrastructure assets (e.g., sidewalks, sewers, and similar items), and their improvements, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 for equipment and \$10,000 for infrastructure with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the District are depreciated using the straight line method over the following estimated useful lives:

	Years		Years
Building & Improvements	20-50	System Infrastructure	30
Roads	50	Motor Vehicles	5-7
Bridges		Equipment	10
Timber	50	Software	5
Concrete	75		

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. For the current fiscal year there were no special assessments.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider unrestricted – net position to have been depleted before restricted – net position is applied.

Klamath County Library Service District
Notes to Financial Statements
June 30, 2021

Note 1 – Summary of Significant Accounting Policies *(continued)*

Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider unrestricted fund balance to have been depleted before using any of the components of restricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Program Revenues

Amounts reported as *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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes

Property taxes attach as an enforceable lien on real and personal property and are levied on July 1st. Property taxes are assessed in October and tax payments are due November 15th of the same year. Under the partial payment schedule, the first one-third of taxes is due November 15th, the second one-third on February 15th, and the remaining one-third on May 15th. A three percent discount is allowed in full payment is made by November 15th and a two percent discount is allowed if two-thirds payment is made by November 15th. Taxes become delinquent if not paid by the due date and interest accrues after each trimester at a rate of one percent per month. Property foreclosure proceedings are initiated four years after the tax due date. Property taxes were levied at the permanent rate of \$0.49 per \$1,000 of assessed value within the County. Measure 50 established the permanent rate and allows for an increase of the assessed value of three percent per year.

Personnel Costs

The District contracts with Klamath County for all personnel related costs and reimburses Klamath County for actual costs incurred.

Klamath County Library Service District
Notes to Financial Statements
June 30, 2021

Note 1 – Summary of Significant Accounting Policies *(continued)*

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) require management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Note 2 – Stewardship, Compliance, and Accountability

Budgetary Information

The District budgets all funds. On or before June 30 of each year, the District enacts a resolution approving the budget, appropriating the expenditures, and levying the property taxes. Prior to enacting this resolution, the proposed budget is presented to a budget committee consisting of the Board of Directors and a like number of interested citizens. The budget committee presents the budget to the Board of Directors for budget hearings prior to enactment of the resolution approving the budget, appropriating the expenditures, and levying property taxes. All annual appropriations lapse at fiscal year-end.

The budget is prepared by fund, department, activity, and line, and includes information of the past year, current year estimates, and requested appropriations for the next fiscal year. Expenditures may not exceed legally budgeted appropriations at the level of personal services, materials and services, capital outlay, debt services, transfers out, and other requirements/expenditures for each fund.

Unexpected additional resources or appropriations may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and approval by the Board of Directors. Original and supplemental budgets may be modified by the use of appropriation transfers between the levels of control. Such transfers require approval by passing a Director's resolution authorizing the transfer. All budget amendments are subject to the limitations put forth in the Oregon Revised Statutes Chapters 294.305 through 294.565 (Oregon Budget Law). Supplemental appropriations, permitted by Oregon Budget Law, were authorized by the Directors during the fiscal year. The District does not use encumbrances.

Annual budgets are adopted generally following the modified accrual basis of accounting with the following exception: Interfund loans and repayments are budgeted similar to other debt transactions. The nature and amount of all significant adjustments necessary are noted on the budget to actual statements included in the financial statements.

For the year ending June 30, 2021, actual expenditures on a budgetary basis did not exceed appropriations.

Note 3 – Cash and Cash Equivalents

Cash and cash equivalents are comprised of and reflected on the Statement of Net Position at June 30, 2021 as follows:

	Primary Government	Component Units (unaudited)
Cash	\$ 400	\$ -
Deposits with financial institutions	-	216,685
Oregon Community Foundation	-	121,720
Klamath County Treasurer Investment Pool	3,106,346	-
	<u>\$ 3,106,746</u>	<u>\$ 338,405</u>

Deposits

Deposits with financial institutions are comprised of bank demand deposits. Deposits are covered by Federal Depository Insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Oregon State Treasurer. Total bank balances, as shown on the bank's records at year-end were \$216,685 for the discretely presented component units.

Klamath County Library Service District
Notes to Financial Statements
June 30, 2021

Note 3 – Cash and Cash Equivalents *(continued)*

Custodial credit risk: In the case of deposits this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's deposit policy is in accordance with ORS 295. All deposits are collateralized with eligible securities in amounts determined by the Office of the State Treasurer.

Investments

Credit risk - TIP: Oregon Revised Statutes, Chapter 294, authorize the District to invest in obligations of the U.S. Treasury, U.S. Government agencies and instrumentalities, bankers' acceptances guaranteed by an Oregon financial institution, repurchase agreements, State of Oregon Local Government Investment Pool, certain high grade commercial paper, and various interest bearing bonds of Oregon municipalities, among others. The District does not have a deposit policy for investment credit risk. The District's investment portfolio as of June 30, 2021, is representative of the types of investments made throughout the year. Since the District does not have formal policies and all deposits are in the TIP, please see Klamath County's financial statements for more information risk exposures of the TIP.

Custodial credit risk – TIP: The District's investment in the TIP are not required to be categorized by level of credit risk because these investments are not evidenced by securities.

Concentration of credit risk – TIP: The District does not have a policy regarding concentration of credit risk.

Interest rate risk - TIP: The District does not have a policy regarding interest rate risk.

Note 4 - Receivables

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year *unavailable revenue* reported in the governmental funds related to property taxes.

Note 5– Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities					
Capital assets, not being depreciated					
Land	\$ 15,000	\$ -	\$ -	\$ -	\$ 15,000
	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Capital assets, being depreciated:					
Building and improvements	3,135,477	68,109	-	-	3,203,586
Machinery and equipment	110,863	-	-	-	110,863
Vehicles	91,253	23,886	-	-	115,139
	<u>3,337,593</u>	<u>91,995</u>	<u>-</u>	<u>-</u>	<u>3,429,588</u>
Less accumulated depreciation:					
Building and improvements	1,091,625	56,220			1,147,845
Machinery and equipment	72,603	4,679	-	-	77,282
Vehicles	55,961	7,504	-		63,466
	<u>1,220,189</u>	<u>68,403</u>	<u>-</u>	<u>-</u>	<u>1,288,593</u>
Total being depreciated, net	<u>2,117,404</u>	<u>23,592</u>	<u>-</u>	<u>-</u>	<u>2,140,995</u>
Total Capital Assets	<u>\$ 2,132,404</u>	<u>\$ 23,592</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,155,995</u>

Klamath County Library Service District
Notes to Financial Statements
June 30, 2021

Note 5– Capital Assets *(continued)*

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:	
Community Services	\$ 68,403

Note 6 – Operating Lease

The District leases real property which is used for its various branches. Lease expense for the year ended June 30, 2021 was \$52,088.

Future minimum lease payments for these facilities are as follows for the years ended June 30:

2022	\$ 52,099
2023	52,099
2024	27,547
2025	26,747
2026	7,112
Total	<u>\$ 165,604</u>

Note 7 – Contingent Liabilities

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

Note 8 – Interfund Transfers

Transfers are used to 1) move resources from the fund with collection authorization to the debt service fund as debt service principal and interest payments are due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs, and 4) move amounts from various departments to reserve accounts to fund budgeted reserves.

Note 9 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special Districts Insurance Services (SDIS). SDIS was created by the Special Districts Association of Oregon in 1984 for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and/or jointly contracting for risk management services. SDIS is fully funded by its members, who pay annual assessments on an experience rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. The District obtains insurance from SDIS for the following coverages: general liability limit of \$5,000,000 per occurrence; a crime policy for claims up to \$100,000; and various real, personal and inland marine property coverage for replacement costs. The District also carries commercial insurance for workers' compensation and employee health, life and disability coverages. Settled claims from these risks have not exceeded insurance limits in any of the past three years.

In March 2020, the World Health Organization declared the novel coronavirus outbreak a public health emergency. The duration and magnitude of the impact of the novel coronavirus and resulting disruption to the Library District's operations is not quantifiable at the time of this report.

Klamath County Library Service District
Notes to Financial Statements
June 30, 2021

Note 10 – Fund Balance

Fund balance is restricted based on Measure 18-39 passed by the residents of Klamath County on May 16, 2000. The ballot measure provided for the formation of the District and provide funding with a permanent property tax rate. The property taxes based on the ballot measure are restricted for operation of the Klamath County Library, provide funds to increase materials and staff, extend hours at the main library and the branches, and open a branch in the South Suburban area and Keno.

Note 11 – Related Party Transactions

Transactions with the County for the year ended June 30, 2021 were as follows:

Expenses:	
Personnel Services	\$ 1,742,481
Administrative Fees	131,842
Technology Fees	20,000
Building Maintenance Fees	222,253
Other	5,432
	<u>\$ 2,122,008</u>

Note 12 – Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are developed based on the best information available about the assumptions market participants would use in pricing the asset. The classification of securities within the fair value hierarchy is based upon the activity level in the market for the security type and the inputs used to determine their fair value, as follows:

- Level 1: Unadjusted quoted prices for identical instruments in active markets.
- Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.
- Level 3 Valuations derived from valuation techniques in which significant inputs are unobservable.

Fair values of assets of the District measured on a recurring basis at June 30, 2021, are as follows:

Investments measured at net asset value (NAV)	
Treasurer's Investment Pool	\$ 3,106,346
Total investments measured at NAV	<u>3,106,346</u>
Total investments valued at fair value	<u>\$ 3,106,346</u>

The Treasurer's Investment Pool's (TIP) objective is to provide a safe, liquid, and competitive investment option for local government pursuant to Oregon Revised Statutes Chapter 294. The TIP's investment objectives are, in priority order: 1) conformance with federal, state, and other legal requirements, 2) preservation of capital and the protection of investment principal, 3) liquidity to meet operating requirements, 4) diversification, and 5) market rate of return throughout budgetary and economic cycles. The TIP offers 100% liquidity to its participants.

The TIP primarily invests in cash, Oregon State Treasurer's Local Government Investment Pool (LGIP), US Treasury, US agency and corporate debt securities. The fair value of the securities is based on quotes from independent pricing vendors. The third-party vendors use a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions. U.S. Treasuries are considered level 1, and corporate debt securities are considered level 2. The LGIP is also valued at net asset value per share (or its equivalent).

REQUIRED SUPPLEMENTARY INFORMATION

Klamath County Library Service District
Schedule of Revenues, Expenditures, and Changes in Fund Balances -
Budget and Actual (with Variances)
General Fund
For the Year Ended June 30, 2021

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Property taxes	\$ 2,840,000	\$ 2,840,000	\$ 2,967,539	\$ 127,539
Licenses, fees, and permits	18,000	18,000	8,305	(9,695)
Intergovernmental	60,831	60,831	102,649	41,818
Charges for services	13,872	13,872	11,313	(2,559)
Investment earnings	30,000	30,000	5,330	(24,670)
Sales - Property Distribution	-	-	5,181	5,181
Miscellaneous	4,050	4,050	5,992	1,942
Total revenues	2,966,753	2,966,753	3,106,309	139,556
Expenditures				
Current:				
Community services				
Materials and services	3,056,955	3,084,171	2,991,288	92,883
Contingency	250,001	222,785	-	222,785
Total expenditures	3,306,956	3,306,956	2,991,288	315,668
Excess (deficiency) of revenues over (under) expenditures	(340,203)	(340,203)	115,021	455,224
Other Financing Sources				
Transfers out	198,415	198,415	198,415	-
Total other financing sources and uses	198,415	198,415	198,415	-
Net change in fund balances	(538,618)	(538,618)	(83,394)	455,224
Fund Balance - Beginning	1,310,617	1,310,617	1,891,657	581,040
Fund Balance - Ending	\$ 771,999	\$ 771,999	\$ 1,808,263	\$ 1,036,264
Reconciliation of Fund Balance - Budgetary Basis to Net Position				
Fund Balance - Budgetary Basis - End of Year			\$ 1,808,263	
Prepaid expense recognized for GAAP, but is not included for the Budgetary Basis			367	
Fund Balance, Ending (GAAP)			\$ 1,808,630	

See notes to required supplementary information

Klamath County Library Service District
Notes to Required Supplementary Information
For the Year Ended June 30, 2021

Note 1 - Summary of Significant Accounting Policies

Annual budgets are adopted generally following the modified accrual basis of accounting with the following exception: Interfund loans and repayments are budgeted similar to other debt transactions. The nature and amount of all significant adjustments necessary are noted on the budget to actual statements included in the financial statements.

The budget is prepared by fund, department, activity, and line, and includes information of the past year, current year estimates, and requested appropriations for the next fiscal year. Expenditures may not exceed legally budgeted appropriations at the level of personal services, materials and services, capital outlay, debt services, transfers out, and other requirements/expenditures for each fund.

Note 2 - Compliance and Accountability

For the year ending June 30, 2021, actual expenditures on a budgetary basis did not exceed appropriations.

OTHER SUPPLEMENTARY INFORMATION

**INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

Klamath County Library Service District
Capital Projects Fund
June 30, 2021

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities.

Capital Projects

The Capital Projects Fund was established to account for major infrastructure improvements to district owned facilities.

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Klamath County Library Service District
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (with Variances)
Capital Projects Fund
For the Year Ended June 30, 2021

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
Revenues				
Transfers	\$ 198,415	\$ 198,415	\$ 198,415	\$ -
Investment earnings	9,000	9,000	2,844	(6,156)
Total revenues	207,415	207,415	201,259	(6,156)
Expenditures				
Current:				
Community Services				
Materials and services	32,000	32,000	30,074	1,926
Contingency	50,000	50,000	-	50,000
Capital outlay	230,000	230,000	91,995	138,005
Total expenditures	312,000	312,000	122,069	189,931
Excess (deficiency) of revenues over expenditures	(104,585)	(104,585)	79,190	183,775
Net change in fund balances	(104,585)	(104,585)	79,190	183,775
Fund Balance - Beginning	1,129,720	1,129,720	1,185,352	55,632
Fund Balance - Ending	\$ 1,025,135	\$ 1,025,135	\$ 1,264,542	\$ 239,407

COMPONENT UNITS

Klamath County Library Service District
Component Units
June 30, 2021

Component Units

Component units, are entities for which the District is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Thus, blended component units are appropriately presented as funds of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government. The District has two non-major discretely presented component units.

Klamath County Library Foundation (Library Foundation)

The Library Foundation was organized as a legally separate entity in 2004 as a 501(c)(3) not-for-profit organization. The Library Foundation exists for the purpose of promotion of reading and life-long learning through the support of the Klamath County Library by conducting capital campaigns to expand and enhance facilities operated by the Library District. The Library Foundation has no potential component units. The Library Foundation board consists of four members from the community that direct the functions of the Library Foundation and make decisions regarding the direction of the Library Foundation and the projects it will support. The financial statements of the Library Foundation have not been audited.

Friends of the Klamath County Library (Friends)

The Friends was formed in 1984 as a legally separate entity under 501(c)(3) as a not-for-profit organization. The Friends exists for the purpose of raising funds for the support of the operations of the Library District. The Friends has no potential component units. The Friends board consists of seven members from the community that direct the functions of Friends and make decisions regarding the direction of Friends and the projects it will support. The financial statements of Friends have not been audited.

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**Klamath County Library Service District
Combining Statement of Fund Net Position
Non-Major Component Units (Unaudited)
June 30, 2021**

	<u>Library Foundation</u>	<u>Friends</u>	<u>Total Component Units</u>
Assets			
Current assets:			
Cash and investments	\$ 238,443	\$ 99,963	\$ 338,406
Total current assets	<u>238,443</u>	<u>99,963</u>	<u>338,406</u>
Total assets	<u>238,443</u>	<u>99,963</u>	<u>338,406</u>
Net Position			
Unrestricted	<u>238,443</u>	<u>99,963</u>	<u>338,406</u>
Total net position	<u><u>\$ 238,443</u></u>	<u><u>\$ 99,963</u></u>	<u><u>\$ 338,406</u></u>

Klamath County Library Service District
Combining Statement of Changes in Fund Net Position
Non-Major Component Units (Unaudited)
For the Year Ended June 30, 2021

	<u>Library Foundation</u>	<u>Friends</u>	<u>Total Component Units</u>
Revenues			
Miscellaneous	\$ 74,867	\$ 46,343	\$ 121,210
Total operating revenues	<u>74,867</u>	<u>46,343</u>	<u>121,210</u>
Operating Expenses			
Community Services			
Materials and Services	39,179	38,563	77,742
Total Operating Expenses	<u>39,179</u>	<u>38,563</u>	<u>77,742</u>
Operating income (loss)	<u>35,688</u>	<u>7,780</u>	<u>43,468</u>
Non-Operating Revenues (Expenses)			
Interest and investment revenue	12	174	186
Total non-operating revenue (expenses)	<u>12</u>	<u>174</u>	<u>186</u>
Change in net position	35,700	7,954	43,654
Total net position - beginning	202,743	92,009	294,752
Total net position - ending	<u>\$ 238,443</u>	<u>\$ 99,963</u>	<u>\$ 338,406</u>

OTHER SCHEDULES

Klamath County Library Service District
Schedule of Property Tax Transactions
For the Year Ended June 30, 2021

Fiscal Year Ending	Balance as of July 1, 2020	Current Levy	Discounts and Adjustments	Collections	Balance as of June 30, 2021	Interest Receivable as of June 30, 2021
2021		\$ 3,087,794	\$ (113,013)	\$ 2,865,692	\$ 109,089	\$ 41,081
Prior years						
2020	120,784		(12,477)	56,881	51,426	
2019	56,140	-	(5,499)	20,954	29,688	-
2018	29,689	-	(3,622)	17,226	8,842	-
2017	12,097	-	(1,214)	8,660	2,224	-
2016	4,090	-	(1,249)	1,627	1,214	-
2015	1,989	-	(1,120)	509	360	-
2014 and prior	6,399	-	(2,304)	1,632	2,232	-
Total - Prior Years	231,188	-	(27,485)	107,489	95,986	-
Total	<u>\$ 231,188</u>	<u>\$ 3,087,794</u>	<u>\$ (140,498)</u>	<u>\$ 2,973,181</u>	<u>\$ 205,075</u>	<u>\$ 41,081</u>
Summary by Fund						
General Fund					<u>\$ 205,075</u>	
Total					<u>\$ 205,075</u>	

GOVERNMENT AUDITING STANDARDS SECTION

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 Commissioners
Klamath County Library Service District

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 governmental activities and each major fund of Klamath County Library Service District (the District), a component unit of Klamath County, Oregon, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated December 22, 2021. Our report includes a disclaimer of opinion over the financial statements of the aggregate discretely presented component units, Klamath County Library Foundation and Friends of the Klamath County Library, which were not audited, and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Klamath County Library Foundation and Friends of the Klamath County Library.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 *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

Medford, Oregon
December 22, 2021

STATE OF OREGON COMPLIANCE SECTION

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

Board of Commissioners
Klamath County Library Service District

We have audited the basic financial statements of the Klamath County Library Service District (the District), a component unit of Klamath County, as of and for the year ended June 30, 2021 and have issued our report thereon dated December 22, 2021. Our audit did not include the aggregate discretely presented component units of the District, for which we have disclaimed an opinion. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the 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 basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-0000 to 162-10-0330, as set forth below, noncompliance with which could have a direct and material effect on the financial statement amounts:

- The use of approved depositories to secure the deposit of public funds.
- The requirements relating to the preparation, adoption and execution of the annual budgets for fiscal years 2021 and 2022.
- 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 test disclosed no instances of noncompliance that are required to be reported under *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State.

Internal Control over Financial Reporting

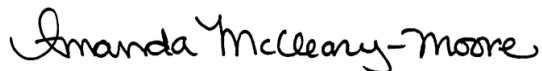
In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.



Amanda McCleary-Moore, Partner for
Moss Adams LLP
Medford, Oregon
December 22, 2021