



**COOS COUNTY LIBRARY SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)**

**ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014**

**COOS COUNTY LIBRARY SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2014**

TABLE OF CONTENTS

	<u>Page</u>
GOVERNING BOARD	1
FINANCIAL SECTION:	
Independent Auditor's Report	2 - 3
Management's 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 Balance – Governmental Fund	12
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	13
Notes to the Basic Financial Statements	14 - 20
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
General Fund	21
ACCOMPANYING INFORMATION:	
Auditor's Comments and Reports:	
Report on Internal Control and on Compliance and Other Matters	22 - 23
Report of Independent Auditor's on Compliance and on Internal Control Over Financial Reporting	24 - 25

GOVERNING BOARD

**COOS COUNTY LIBRARY SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
COUNTY OFFICIALS
June 30, 2014**

GOVERNING BOARD:

	<u>Term Expires</u>
Bob Main, Commissioner 791 E. 10 th Street Coquille, OR 97423	December 31, 2016
John Sweet, Commissioner 1291 N. 9 th Street Coos Bay, OR 97420	December 31, 2014
Melissa Cribbins, Chairperson 410 Date Avenue Coos Bay, OR 97420	December 31, 2014

MAILING ADDRESS

Coos County Courthouse
250 N. Baxter
Coquille, OR 97423

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

December 23, 2014

To the Governing Board of Coos County Library Service District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Coos County Library Service District, a component unit of Coos 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 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Coos County Library Service District as of June 30, 2014, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

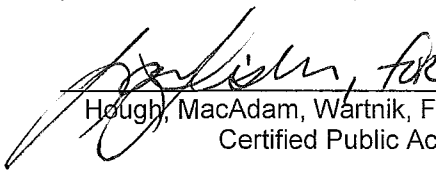
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on the General Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial 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 management's 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 management's discussion and analysis because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by Government Auditing Standards and Oregon Revised Statutes

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2014 on our consideration of Coos County Library Service 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 result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 23, 2014, on our consideration of the District's internal control over financial reporting and on tests of its compliance with the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 to 162-10-320. 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.



Hough, MacAdam, Wartnik, Fisher & Gorman, LLC
Certified Public Accountants

**COOS COUNTY LIBRARY SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Year Ended June 30, 2014**

The management of Coos County Library Service District, Oregon offers this overview and analysis of the financial activities of the District, a component unit of Coos County, for the fiscal year ended June 30, 2014. We encourage readers to consider the information here in conjunction with the accompanying basic financial statements.

Overview

The Coos Library Cooperative Board, on April 27, 1992 voted to recommend that a County Library Service District Plan be presented to county voters in the next general election. The necessity of stable funding was the determining factor in the Board's decision. A tax base would allow libraries in Coos County to adopt and implement long-range goals. The District was approved by voters at the November 3, 1992 election and formed during fiscal year 1993-94. There are eight public libraries available to the residents of Coos County. These are located in the seven incorporated cities and the unincorporated community of Dora. The cities and the Dora Public Library are, by contract, responsible for the day-to-day operations of their libraries. The District contracts with Southwestern Oregon Community College to maintain the automated catalog system, for community outreach, and other extended services.

Financial Highlights

- The District's assets exceeded its liabilities at June 30, 2014 by \$342,949 – a decrease of 8.7%.
- The District's revenues for the 2013-14 fiscal year increased by \$78,972, an increase of 2.5% from the prior year, expenses also increased by \$118,014 an increase of 3.7% over last year.

Overview of the Financial Statements

- This discussion and analysis is intended to serve as an introduction to the Coos County Library Service District's basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The main source of revenue is property taxes. The permanent tax rate for the District is \$.7289 per thousand of assessed property values.
- The Coos County Library Service District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.
- Government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business.

COOS COUNTY LIBRARY SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Year Ended June 30, 2014

◆ The *statement of net position* presents information on all the District'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 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.

- *Notes to the Basic Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found immediately following the financial statements in this report.

Financial Analysis of the District

- The District's net position may be found in the Statement of Net Position. As noted earlier, net position may serve over time as a useful indicator of the District's financial position. The District's assets exceeded liabilities by \$342,949 at June 30, 2014 and \$375,569 at the close of the fiscal year, June 30, 2013.

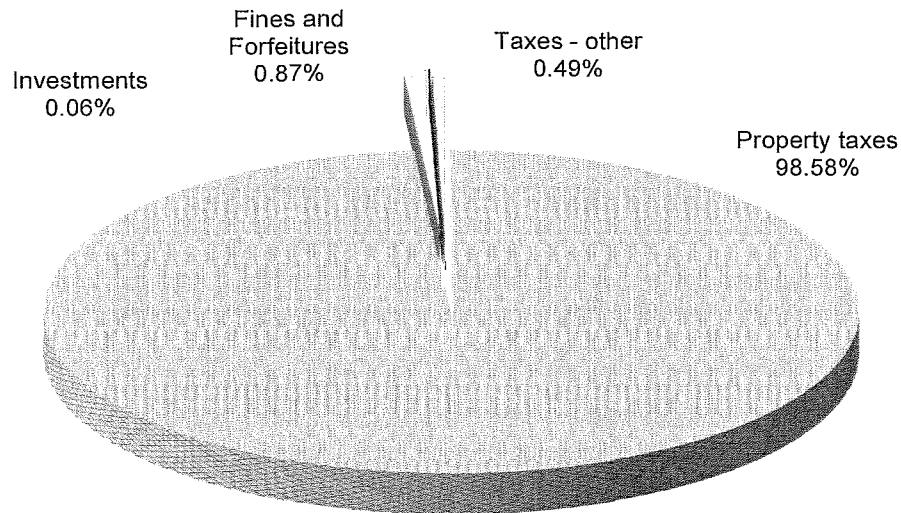
COOS COUNTY LIBRARY SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Year Ended June 30, 2014

Net Position				
	2014	2013	Difference	%
Current and other assets	\$ 407,242	\$ 429,862	\$ (22,620)	-5.3%
Capital assets	-	-	-	0.0%
Total assets	<u>407,242</u>	<u>429,862</u>	<u>(22,620)</u>	-5.3%
Current liabilities	<u>64,293</u>	<u>54,293</u>	<u>10,000</u>	18.4%
Total liabilities	<u>64,293</u>	<u>54,293</u>	<u>10,000</u>	18.4%
Net position:				
Invested in capital assets	-	-	-	0.0%
Unrestricted	<u>342,949</u>	<u>375,569</u>	<u>(32,620)</u>	-8.7%
Total net position	<u>\$ 342,949</u>	<u>\$ 375,569</u>	<u>\$ (32,620)</u>	-8.7%

Change in Net Position				
	2014	2013	Difference	%
REVENUE:				
General revenues:				
Property taxes, levied	\$ 3,211,777	\$ 3,147,859	\$ 63,918	2.0%
Taxes - other	15,865	5,512	10,353	187.8%
Fines and forfeitures	28,302	23,728	4,574	19.3%
Earnings on investments	<u>1,976</u>	<u>1,849</u>	<u>127</u>	6.9%
Total revenues	<u>3,257,920</u>	<u>3,178,948</u>	<u>78,972</u>	2.5%
EXPENDITURES:				
Culture and recreation:				
Materials and services	<u>3,290,540</u>	<u>3,172,526</u>	<u>118,014</u>	3.7%
Total expenditures	<u>3,290,540</u>	<u>3,172,526</u>	<u>118,014</u>	3.7%
Change in net position	<u>(32,620)</u>	<u>6,422</u>	<u>(39,042)</u>	-607.9%
Net position July 1	<u>375,569</u>	<u>369,147</u>	<u>6,422</u>	1.7%
Net position June 30	<u>\$ 342,949</u>	<u>\$ 375,569</u>	<u>\$ (32,620)</u>	-8.7%

**COOS COUNTY LIBRARY SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Year Ended June 30, 2014**

Revenue Sources



Capital Assets and Debt Administration

- The District holds no assets itself but instead distributes or donates all capital outlay purchases to the contracting libraries and Southwestern Oregon Community College as part of the entire service district.
- The assets were purchased with grant funds and had no related debt.

Economic Factors and Next Year's Forecast

- The current downturn in the economy will improve slowly with a recovery not expected to enhance county resources for at least 5 years.
- Assessed values, the basis of property tax revenues, are limited by the Oregon Constitution to increase no more than 3% except on new construction.
- The Library Service District's adopted expenditures for 2014-15 total \$3,375,510 with resources other than taxes of \$244,600. The District intends to certify its full permanent tax rate for 2014-15, which is \$.7289 per thousand.

Requests for Information

This financial report is designed to provide a general overview of Coos County Library Service 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 Coos County Treasurer's Office, 250 N Baxter, Coquille, Oregon 97423.

BASIC FINANCIAL STATEMENTS

COOS COUNTY LIBRARY SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities
ASSETS	
Pooled cash and investments	\$ 64,293
Taxes receivable	342,949
Total assets	407,242
LIABILITIES	
Accounts payable	64,293
NET POSITION	
Unrestricted	\$ 342,949

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

COOS COUNTY LIBRARY SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Activities:	Expenses	Program Revenues			Net (Expense)
		Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total Governmental Activities
Governmental:					
Culture and recreation	\$ 3,290,540	\$ 28,302	\$ -	\$ -	\$ (3,262,238)
Total Coos County Library Service District	<u>\$ 3,290,540</u>	<u>\$ 28,302</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(3,262,238)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					3,211,777
Taxes other					15,865
Earnings on investments					1,976
Total general revenues					<u>3,229,618</u>
Change in net position					(32,620)
Net position - beginning					<u>375,569</u>
Net position - ending					<u>\$ 342,949</u>

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

COOS COUNTY LIBRARY SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2014

ASSETS

Pooled cash and investments	\$ 64,293
Taxes receivable	<u>342,949</u>
 Total assets	 <u><u>\$ 407,242</u></u>

LIABILITIES

Accounts payable	<u>\$ 64,293</u>
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DEFERRED INFLOWS OF RESOURCES

Unavailable revenue - property taxes	<u>297,834</u>
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FUND BALANCE

Unassigned	<u>45,115</u>
 Total liabilities, deferred inflows and fund balance	 <u><u>\$ 407,242</u></u>

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

**COOS COUNTY LIBRARY SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
June 30, 2014**

Total fund balance	\$ 45,115
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Amounts report for governmental activities in the Statement of Net Position are different because:

The Statement of Net Position reports receivables at their net realizable value. However, receivables not available to pay for current period expenditures are deferred in governmental funds.

Unavailable revenue for property taxes	<u>297,834</u>
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Total net position of governmental activities	<u><u>\$ 342,949</u></u>
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The notes to the basic financial statements are an integral part of this statement.

COOS COUNTY LIBRARY SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Year Ended June 30, 2014

Revenues:	
Property taxes	\$ 3,240,435
Taxes - other	15,865
Fines and forfeitures	28,302
Interest	<u>1,976</u>
Total revenues	<u>3,286,578</u>
Expenditures:	
Culture and Recreation:	
Materials and services	<u>3,290,540</u>
Net change in fund balance	(3,962)
Fund balance at beginning of year	<u>49,077</u>
Fund balance at end of year	<u><u>\$ 45,115</u></u>

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

**COOS COUNTY LIBRARY SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
Reconciliation of the Governmental Fund Statement of Revenues,
Expenditures, and Changes in Fund Balance
to the Statement of Activities
For the Year Ended June 30, 2014**

Total net change in fund balance - governmental fund	\$ (3,962)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received.

Change in unavailable revenue	<u>(28,658)</u>
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Change in net position of governmental activities	<u><u>\$ (32,620)</u></u>
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The notes to the basic financial statements are an integral part of this statement.

**COOS COUNTY LIBRARY SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Financial Reporting Entity

The Coos County Library Service District (the District) was formed with its own tax base during fiscal year 1993-94 to fund local libraries of Coos County, Oregon, and is governed by a board consisting of the three members of the Coos County Commission.

The District is a separate legal entity, governed by Coos County. The County Board of Commissioners serves as the governing body of the District and is able to impose its will on the District. Under the criteria set by Governmental Accounting Standards Board (GASB), the District is considered a component unit of Coos County. In addition, the County has operational responsibility for the District. Accordingly, the financial statements of the District are included in the County's basic financial statements as a special revenue fund using the "blended" method of presentation.

The District has no potential component units.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District's financial operations are presented in a combined presentation for the District-wide and fund financial levels. All activities of the District are categorized as governmental activities. Eliminations, if applicable, have been made to minimize the double-counting of internal activities.

Government-wide Statements - The District-wide financial statements display information about the District as a whole. The focus is on its financial sustainability. As such, the reporting presents the change in the aggregate financial position of the District, resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

The District-wide financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net position. All transactions and events that affect the total economic resources (assets) during the period are reported. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position.

The Statement of Activities presents a comparison between direct expenses and program revenues for the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations, if applicable, that have been made in the fund have been reversed for the Statement of Activities.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. When an expense is incurred for purposes for which both restricted and unrestricted assets are available, the District applies restricted resources first.

C. Assets, Liabilities and Equity

1. Pooled Cash and Investments

The District maintains merged bank accounts and investments for its fund in a central pool of cash and investments with Coos County. This pool includes amounts in cash on hand, demand deposits, cash with fiscal agents, and amounts in investment pools that have the general characteristics of demand deposit accounts with highly liquid debt instruments purchased with a maturity of three months or less, including demand deposits and investments in the Oregon State Treasury Local Government Investment Pool (LGIP). The investment policy of the County is to invest in LGIP and interest bearing demand deposits with local banks and to transfer resources to the general checking account as the need arises. This policy is in accordance with ORS 294.035 which specifies the types of investments authorized for municipal corporations. The County allocates earnings on investments to each fund based on quarterly cash balances.

Investments are stated at amortized cost which approximates fair value.

2. Receivables and Payables

Receivables including property taxes, accounts, entitlements, and shared revenues are reported in accordance with the policies enumerated in Paragraph B above. An allowance for uncollectible accounts is not carried as the District believes all receivables will be collected and any uncollectible amounts would be immaterial.

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. Deferred Inflows of Resources

In addition to liabilities, the Statement of Net 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 and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of deferred inflows, which arises only under the 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 property taxes.

5. Fund Equity

The District has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Original appropriations may be increased through resolutions by transferring amounts between appropriations categories or between funds. A supplemental budget is needed to increase appropriations when appropriations transfers are unauthorized. Unexpected resources and certain other changes may be made through use of a supplemental budget. The budget is reported as originally adopted or as amended by governing body. There were no supplemental budgets necessary during the year. The District does not use encumbrance accounting.

Management may reassign resources within functions without seeking approval of the governing body. The District adopts appropriations for its fund at the level of materials and services.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits. The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the District at June 30, 2014. If bank deposits at year end are not entirely insured or collateralized with securities held by the District or by its agent in the District's name, the District must disclose the custodial credit risk that exists. Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to participate in the Public Funds Collateralization Program, a multiple financial institution collateral pool administered by the Oregon State Treasurer's Office.

For the fiscal year ended June 30, 2014, the District did not have any deposits with financial institutions.

Investments. The District has invested funds in the State Treasurer's Oregon Short-Term Fund Local Government Investment Pool during the fiscal year ending June 30, 2014. The Oregon Short-Term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895). Local Government Investment Pool (LGIP) is an unrated external investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40.

In addition, the Oregon State Treasury LGIP distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Accordingly, the adjustment to fair value would not represent an expendable increase in the District's cash position.

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 294. These funds are held in the District's name and are not subject to collateralization requirements or ORS 295.015. Investments are stated at amortized cost, which approximates fair value.

Credit Risk. Credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The State of Oregon LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer of the Pool and it is responsible for all funds in the Pool. These funds must be invested and the investments managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-Term Funds Board, which establish diversification percentages and specify the types and maturities of investments.

C. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. There has been no significant reduction in insurance coverage from the prior years and the District has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years. The District's insurance is provided in combination with Coos County's.

D. Subsequent Event

Since formation in 1992, the District contracted with Southwestern Oregon Community College to maintain the automated catalog system, for community outreach, and other extended services. Starting in July 2014 those services will be contractually provided by the City of Coos Bay. There is no anticipated financial impact to the District as a result of this change.

**REQUIRED SUPPLEMENTARY
INFORMATION**

COOS COUNTY LIBRARY SERVICE DISTRICT
(A COMPONENT UNIT OF COOS COUNTY, OREGON)
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2014

	Budget Original & Final	Actual	Variance
Revenues:			
Property taxes	\$ 3,201,566	\$ 3,240,435	\$ 38,869
Taxes - other	6,000	15,865	9,865
Fines and forfeitures	24,000	28,302	4,302
Interest	2,000	1,976	(24)
Total revenues	<u>3,233,566</u>	<u>3,286,578</u>	<u>53,012</u>
Expenditures:			
Culture and Recreation:			
Materials and services	<u>3,273,566</u>	<u>3,290,540</u>	<u>(16,974)</u>
Net change in fund balance	(40,000)	(3,962)	36,038
Fund balance at beginning of year	<u>40,000</u>	<u>49,077</u>	<u>9,077</u>
Fund balance at end of year	<u>\$ -</u>	<u>\$ 45,115</u>	<u>\$ 45,115</u>

See auditor's report.

ACCOMPANYING INFORMATION



**Hough, MacAdam, Wartnik,
Fisher & Gorman, LLC**

CERTIFIED PUBLIC ACCOUNTANTS

JIM HOUGH, CPA
SHIRLEY MacADAM, CPA
JAYSON WARTNIK, CPA
LAURA FISHER, CPA
BOB GORMAN, CPA

BRIAN BRAS, CPA
JOE COLO, CPA
SALLY JAEGGLI, CPA
TINA JONES, CPA
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**REPORT 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***

December 23, 2014

To the Governing Body of Coos 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 the major fund of the Coos County Library Service District 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 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Coos County Library Service 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 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected in a timely manner. 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.

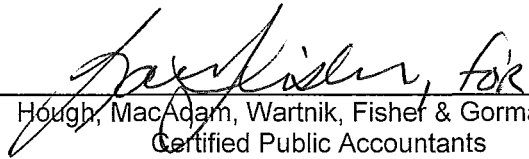
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered 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 Coos County Library Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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.



Hough, MacAdam, Wartnik, Fisher & Gorman, LLC
Certified Public Accountants



**Hough, MacAdam, Wartnik,
Fisher & Gorman, LLC**

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**INDEPENDENT AUDITORS REPORT
REQUIRED BY OREGON STATE REGULATIONS**

December 23, 2014

To the Governing Body of Coos County Library Service District:

We have audited, the financial statements the governmental activities and the major fund of the Coos County Library Service District ("the District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Coos County Library Service District basic financial statements, and have issued our report thereon dated December 23, 2014.

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 and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 to 162-10-320, as set forth below, 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.

We performed procedures to the extent we considered necessary to address the required comments and disclosures, which included, but were not limited to the following:

The use of approved depositories to secure the deposit of public funds (ORS Chapter 295).

The requirements relating to debt.

The requirements relating to the preparation, adoption and execution of annual budgets (ORS Chapter 294).

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 (ORS Chapter 294).

The requirements pertaining to the awarding of public contracts and the construction of public improvements (ORS Chapters 279A, 279B, 279C).

In connection with our testing, nothing came to our attention that caused us to believe that the District was not in substantial compliance with certain provisions of laws, regulations, contract and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-1-1000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Oregon Secretary of State.

OAR 162-10-230 Internal Control

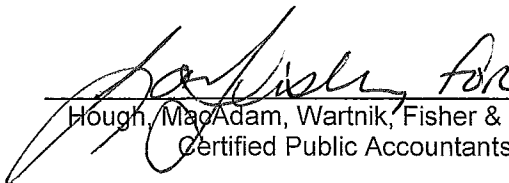
In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Purpose of this Report

This report is intended solely for the information and use of the Board of Commissioners and management of Coos County Library Service District, and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these specified parties.



Hough, MacAdam, Wartnik, Fisher & Gorman, LLC
Certified Public Accountants