



JACKSON COUNTY LIBRARY DISTRICT (JCLD)
BOARD MEETING AGENDA
Large Meeting Room, Medford Branch Library
205 S Central Ave, Medford, OR
Dial 1-669-900-6833 to attend by phone
Enter Meeting ID (access code): 965 9527 6734
Or, click the link below to attend using Zoom:
<https://zoom.us/j/96595276734>
September 21, 2022, at 4:00 p.m.

CALL TO ORDER/ROLL CALL

LAND ACKNOWLEDGEMENT

INTRODUCTIONS / PROCLAMATIONS

Banned Books Week: September 18-24

AGENDA AMENDMENTS AND APPROVAL

CONSENT AGENDA

1. August 18, 2022 Board Meeting Minutes.....1

ORAL REQUESTS AND COMMUNICATIONS FROM AUDIENCE (Comments will be limited to 3 minutes per individual and shall be limited to comments on non-agenda items or on agenda items that do not otherwise provide for public comment.)

REPORTS (Inform)

2. Library Director.....4

UNFINISHED BUSINESS (Inform/Discuss/Action)

3. Presentation of Audit for FY ending June 2021.....10
4. Director’s Contract and Compensation.....59

NEW BUSINESS (Inform/Discuss/Action)

COMMITTEE AND BOARD MEMBER REPORTS (Inform)

5. Finance Committee
6. Policy Committee

Executive Session pursuant to ORS 192.660(2)(i): *To review and evaluate the employment-related performance of the chief executive officer of any public body, a public offer, employee or staff member who does not request an open hearing.*

No decision may be made in executive session. At the end of today’s executive session, the Board will come back to its regular session during which the Board may or may not take action or make a decision.

ADJOURNMENT

FUTURE MEETINGS/EVENTS/OBSERVANCES:

Library Advocacy and Funding Conference: September 26-28, 2022
JCLD Regular Board Meeting: October 19, 2022
National Friends of the Library Week: October 16-22, 2022

The Jackson County Library District Board meets regularly at 4:00 p.m. on the third Wednesday of every month at the Medford Library in the Board Conference Room, unless otherwise noticed. You may find proposed agendas and prior meeting minutes at www.jcls.org. If you have further questions or would like to be added to the email notification list, please contact Val Nowak at 541-774-6406 or vnowak@jcls.org.

If a physical accommodation is needed to participate in a Jackson County Library District meeting, please contact Val Nowak at 541-774-6406. Notification of at least 48 hours prior to the meeting, preferably in writing, will assist us in providing reasonable accommodation.



MINUTES

ATTENDEES

Present at the meeting were: Board Members Eric Dziura (President), Viki Brown (Vice President), Susan Kiefer, Jill Turner and Kim Young.

Additional attendees: Kari May (Library Director), Kelda Vath (Assistant Director, Support Services) Brynn Fogerty (HR Manager), Ginny Auer (Foundation Executive Director), Brittany Brite (Finance Manager), Jacquelyn Bunick (Legal Counsel), Olivia Peasley (Administrative Assistant), and Val Nowak (Executive Assistant)

Guests: additional JCLS staff members and local community members

CALL TO ORDER/ROLL CALL

President Dziura called the meeting to order at 4:00 p.m. Roll call was taken, and the land acknowledgement read.

INTRODUCTIONS / PROCLAMATIONS

Director May introduced Rick Simpson, Contract Services Director of Pathway Enterprises, who presented JCLS with the Business Partner of the Year Award. Simpson thanked the Board and JCLS on behalf of Pathways Enterprises, and acknowledged their efforts and support.

CONSENT AGENDA

Motion: Director Keifer moved to approve the meeting agenda. Director Brown seconded, and the motion was approved unanimously.

Motion: Director Turner moved to approve all items on the consent agenda. Director Young seconded, and the motion was approved unanimously.

ORAL REQUESTS AND COMMUNICATIONS FROM AUDIENCE

Director Dziura allotted one hour for public comment. Sixteen attendees shared comments, both virtually and in-person, and most focused on the proposed Land Acknowledgment, with a fairly even split between statements of criticism and support for the adoption of the statement.

REPORTS

Library Director's Report

Director May highlighted some of the popular programs presented in July, and discussed the progress towards expanding hours in the District.

Director Young shared an update regarding the Talent Urban Renewal Agency. The initiative did not pass, and will be instead be pursued at a later date.

Director Brown commented in support of the vaccine drives that were held, and that tests continued to be available for the community.

Southern Oregon Historical Society Report

Archivist Jan Wright and Doug McGeary shared usage statistics from the past few months, and noted that visits to SOHS have been increasing, and their hours have been expanded. Cataloging is going well, in both physical and online collections. They indicated interest in partnering in the future with JCLS to promote local Indigenous history. They finished the report by highlighting some partnership programs, and thanked JCLD for the donation of resources to supplement their local history collection. McGeary also thanked JCLS Marketing Staff for the help in producing a short-form documentary that released this week.

UNFINISHED BUSINESS

Land Acknowledgement Policy

Director Dziura shared a summary of the creation process behind the land acknowledgment, and thanked community members for their input and comments. He read the purpose behind the statement, and clarified that it was not the intention of the District to provide an empty statement without backing it up with outreach efforts and action. He outlined the changes to the statement made since the last meeting, and then read the amended proposed spoken statement.

He shared that the statement had been diligently researched and was meant to acknowledge Indigenous people and to educate members of the public. He finished by stating that the ED&I and Policy Committees recommend the statement be adopted by the Board.

Director Turner asked for clarification of when the statement would be read, and Director May replied that the statement would be read at programs and meetings intended for adult or teen audiences, as well as at large staff meetings and public meetings (such as Board Meetings). She reiterated that the statement would not be read at children's programs or events.

Director Young acknowledged the struggle to provide a statement that can encompass and acknowledge a wide range of Tribal groups, and expressed that while she supported the concept and intention, she remained concerned with its present wording.

Director Dziura acknowledged that the sentence structure of the statement was unclear, and that it implied that the Cow Creek Band of Umpqua Tribe of Indians had been relocated to Oklahoma. He recommended that the statement be amended to provide clarity and better reflect historical facts. He inquired whether the statement should be sent back to the Policy Committee for restructuring.

Director Young asked whether the policy could be voted on without adopting the statement. Director May replied asking the Board to consider adopting the policy with the condition that the problematic sentence be corrected as discussed.

Dziura commented that a Land Acknowledgement Statement supports the Library's values of inclusion and respect, and aligns with the Community Engagement goal outlined in the 2022-26 Strategic Plan, and asked that the change to wording not be made during the current meeting.

Motion: Director Dziura moved that JCLD adopt the Land Acknowledgment Policy pending an acceptable rewording of the statement.

Director Kiefer seconded the motion. The motion passed by majority vote, with Directors Young and Brown voting against, and Directors Dziura, Kiefer, and Turner voting in favor.

NEW BUSINESS

Committee Assignments for FY 2023

Director Young asked if the Technology Committee remains relevant. After sharing a summary of what the Technology Committee had historically been responsible for, and that these duties are now covered by other areas, Director Dziura recommended that the Technology committee be dissolved.

Dziura then gave a brief overview each committee and their respective responsibilities. Dziura asked if it necessary or desirable to change assignments as they stand. Kiefer and Young stated that they are content with the committees on which they serve, and it was concluded that the only changes in committee memberships will be due to the shifts in elected positions. Director Brown will join the Executive Committee and assume the RVCOG liaison position by virtue of her appointment to Vice President at the July Meeting. Director Brown also indicated an interest in joining the advocacy committee. Director Dziura asked members to read the Board Committee Policy and be prepared for the year at hand.

Motion: Director Turner moved that JCLD approve the Board Committee assignments with the adjustments of appointing Director Brown to the Advocacy and Executive Committees, and the removal of the now-obsolete Technology Committee. Director Kiefer seconded, and the motion was approved unanimously.

Eagle Point Carpet Replacement Project

Assistant Director of Support Services Kelda Vath asked the Board to approve a temporary week-long closure to the Eagle Point Branch in order for the carpet replacement project to take place.

Director Brown asked if the closure would affect the meeting room, and Director May reported that the meeting room would remain open and programs and meetings would continue as scheduled. Carpeting of the meeting room will occur at a later date.

Motion: Director Turner moved to approve temporary closure of the Eagle Point Branch. Director Brown seconded, and the motion was approved unanimously.

COMMITTEE AND BOARD MEMBER REPORTS

Directors Turner and Kiefer reported on library branches they had visited during recent travels. Director Young commented favorably regarding the SDAO training the Board had attended the day prior.

Executive Session pursuant to ORS 192.660(2)(i)

The Board entered into Executive Session pursuant to ORS 192.660 (2)(3), after which they rejoined the public meeting already in session. No decisions were made, and no action was taken as a result of the session.

ADJOURN

President Dziura adjourned the meeting at 5:53 p.m.

/s/ Val Nowak
Recording Secretary



Director's Report September 2022

Public Services

Another Summer Reading Program is officially in the books! Jackson County Library Services encouraged “treasure reading” during this year’s Summer Reading Program (SRP). This play on “pleasure reading” asked people to think about the treasured books and stories in their lives while also finding new stories to celebrate. This was the first Summer Reading Program since 2019 where all 15 branches were able to welcome patrons inside for programs, storytimes, and general library fun. SRP 2022 was a rousing success for all, and Library staff in particular appreciated being able to facilitate programs for the first time in three years.



Children's Services

Branches across Jackson County celebrated as the 2022 Summer Reading Program drew to a close. Parties were held with prizes, snacks, games, and crafts. Several branches ended the summer on a magical note with a special dragon-themed storytime - complete with shiny-scaled dragon eggs. This craft proved extremely popular as both a program and a take-and-make, and patrons of all ages were quick to say how much they loved it.



In Ashland, children’s services held a STEM program where participants were given all ingredients needed to make kinetic sand. Kinetic sand is soft and crumbly play sand that holds its shape when squeezed or pressed. Parents love it because it is “low to no mess” sand, and is a great way to encourage sensory and creative play while sheltering inside from the heat and smoke of the past few weeks.

Teen Services

The long-awaited Gaming Cave made its debut in Eagle Point on August 16. Aimed at middle schoolers, this first-of-its-kind JCLS library space features bean bag chairs, bright signage, a large TV, and an Xbox gaming system. The Gaming Cave provides a valuable and needed safe space for kids and young teens to hang out and engage in solo, competitive, or collaborative play.

Eagle Point was not alone in stepping up their game. Ashland Librarians Jackie Keating and Brianna Levesque partnered with local business FunAgain Games to provide a Board Game Afternoon for teens and adults. FunAgain brought a variety of games for patrons to select from, and their staff were on hand to help with rules or other questions. One family of four thoroughly enjoyed a card game, and several patrons dropped in and played games while they waited for the cooling shelter to open. Tim, an employee of FunAgain

Games, played multiple exciting rounds of chess with a teen, and several moves were met with cheers and applause. A good time was had by all, and staff look forward to continuing this partnership.

The Medford Teen Library finished the summer off on a high note by holding a Teen Book Fair during the last week of August. Teens who participated in the Summer Reading Program came to the library to collect the prizes they had earned. Books were set out according to genre, allowing a nostalgic, bookstore-style browsing experience. Additional prizes such as keychains, bookmarks, sunglasses, and more were available to teens who visited the book fair.

Adult Services

The Treasured Genre Chat series in Gold Hill concluded with a discussion on Romance Novels. This summer-long program proved popular with the community, and the patrons who attended requested that a library-facilitated genre-specific book club continue for another season. Staff were happy to oblige and the new book club will begin in September.

Virtual programming continues to provide valuable options for patrons county-wide; the Windows in Time series in particular often sees more attendees via Zoom than in-person. August's lecture featured SOU Professor Emerita of Geography and Environmental Studies Pat Acklin, who discussed how the Rogue River Preserve was formed with the Southern Oregon Land Conservancy. In addition to positive feedback on the presentation's contents, one patron thanked the Library for continuing to offer lectures via Zoom. They noted that it provides a safe and convenient option, which not only saves gas for those who live further afield, but also accommodates working adults who wish to attend during their lunch break. For those who may have missed a session, patrons can easily access past presentations on [the Library Website](#).



Continuing the partnership with the Rogue Valley Symphony, Ashland Library hosted Music Director Martin Majkut, who spoke about the Symphony's upcoming season. The talk gave participants new insights into how pieces are planned for each concert, how he works with guest soloists, and the future of the symphony. A series of "Conversations with Martin" are planned at the library for the coming season, with a session paired with each concert offered.

The monthly performances of music by soloists and duos on the main floor of the library will also continue, much to the delight of patrons and staff. So far, a clarinetist, a violinist, and a cello/violin duo have graced the Library with a wide variety of musical selections. The violinist began her concert hour with classical standards and showtunes, and when she noticed some younger patrons join the audience, she delighted them by launching into a few Disney favorites.

Outreach

Education Services

Education Services rounded out their summer schedule by paying final summer school visits to Patrick Elementary, Grace Christian Elementary, and the Juvenile Detention Center. Teachers and students were enthusiastic about the activities offered at each location, and all were grateful for the books and prizes they had earned. Staff are glad for the partnerships that were formed and strengthened, and look forward to more collaborations soon.

With Summer programming thus concluded, staff quickly made the switch to Back-to-School mode. Education Services Specialist Sharon Bigelow and Community Librarian Evelyn Lorence attended Medford School District's Back to School Resource Fair at Jackson Elementary, and Medford Children's Librarian Monica Owens also visited Kids Unlimited for their Back-to-School Open House. While the adults learned about library resources and programs, students received color-changing pencils. Parents were particularly excited to learn about what the Library of Things has to offer, as well as an Overdrive demo highlighting the read-a-long children's book collection.

Digital Services

Digital Services continues to positively impact patrons through one-on-one appointments. After Digital Services Specialist Nicole Vukcevic assisted an Applegate patron get set up with Hoopla, he was overwhelmed with happiness. He explained that he lives with limited means, and entertainment that is available through the library makes his free time much more rewarding. He shed a tear or two while expressing how grateful he was that the library has the Digital Service program to help people like him who struggle with technology. "I would not have been able to do this all by myself, so I really appreciate your help."

DART

The DART van served as both a booth and a parade float at the 71st annual Prospect Jamboree and Timber Carnival on August 20. Library Associate Breanne Wolgamot, Prospect Branch Manager Masyn Phoenix, and Area Manager Carrie Turney Ross teamed up to staff an information table where they signed people up for library cards, demonstrated the purpose and possibilities of the DART van, gave away free books, and provided an interactive Oregon Trail game.

DART launched in June 2021, and usage has steadily increased as the community grows more aware of schedules



and the unique services the van offers. Patrons have begun to seek DART out, thanks to the consistency of visits and the work that has been put in to build trust in these communities.

During a visit to the Housing Authority apartment complex Snowberry Brook in Ashland, Mobile Services Specialist Mackenzie Pollock had an unusual number of people ask about the free Wi-Fi DART offered. It was discovered that the Wi-Fi for the whole complex had gone down. Word spread and soon many people were outside of DART utilizing its free Wi-Fi, which also provided a wonderful opportunity to showcase the digital services JCLS offers, including how to download e-materials using Libby or Hoopla, which then can be downloaded and enjoyed without the need for a Wi-Fi connection.

Business Librarian

While August was a quiet month for programming, Business Librarian Roslyn Donald had a full schedule attending six Chamber and local business events. She also met with two community stakeholders, Annie Jenkins of the Downtown Medford Association and Cindy Manning of WorkSource Rogue Valley to discuss how to best support the local business community.

Donald also co-wrote an article with Marta Tarantsey of Business Oregon titled “Finding the Best: Vets Can Help” for the September issue of the Southern Oregon Business Journal. They plan to use the *Finding the Best* heading in future columns for Journal to highlight employment resources for various underserved groups, including women, minorities, and people with disabilities.

Social Services

Over the summer, there has been a steady increase of patrons utilizing Morning Hours. This program continues to provide valuable opportunities for staff to connect with unhoused patrons. In August, the team helped four separate patrons get into stable shelter and off of the streets. They continue to work with these individuals to obtain jobs and register for food assistance programs in order to support independent living.

The Outreach and Social Services departments combined efforts to organize a shoe drive in collaboration with a local church. The request for donations was met with tremendous generosity, and over 200 pairs of brand-new shoes were donated to give to individuals in need.

Finance

The Finance Department received a draft copy of the June 30th, 2021 audit and reviewed it with the Finance Committee on September 6th. KDP has taken the comments and proposed changes into consideration and issued the Audit. The Board will review and accept the audit at the September meeting, after which the next steps for the finance department will be to clean up and close FY21 and prepare all documentation for the FY22 audit.

One of the significant discussion topics to emerge from the audit process was the use of restricted funds. The Finance Department is working with the Foundation and branch/department managers to streamline how grant information is communicated and effective ways to track funding for all parties involved.

Human Resources

The Hours Implementation Project is progressing smoothly. Public Services staff working fewer than 40 hours per week have completed surveys to indicate if they would like to work additional hours. HR and the Admin Team are assessing the data now and determining what additional hours can be granted and what new positions will be required. It is expected that offers for additional hours will be officially extended by the end of September, with start dates scheduled to coincide with expanded hours.

Recruitment for the Assistant Director and Area Manager positions are well underway. Final interviews are being held throughout the month of September. The HR department has also been developing the details of the Bilingual Stipend that was approved in May. Staff Development Coordinator Loren Clupny created an application and a testing facility has been selected. This has allowed staff who qualify for the stipend to begin the application process and schedule competency tests.

Marketing

The Summer Blog Series “Discover the Treasures of JCLS” has been reaping positive results. August’s entry by Children’s Librarian Lyn Heerema featured the Butte Falls Branch and seemed to strike a chord with readers. Shortly after publishing, two different library users wrote to say that they had been moved to pack a picnic and make a day out of visiting the Falls and the Library. “I just finished reading your Butte Falls travelogue,” one patron wrote, “and wanted to let you know how interesting it was for me. You made me want to finally get there! Nice pics, too.”

August saw the final radio ads for Summer Reading, as well as Facebook advertising for the virtual author talk from Liz Wiseman. The trailer for the latest JCLS original documentary short, *We Will Rebuild*, premiered on YouTube. The film focuses on Eagle Point’s historic Butte Creek Mill, which was built in 1873. Over the years, the building was utilized for a myriad of purposes, but on Christmas Day, 2015, a devastating fire put its future in jeopardy. Now the community is working to continue the Mill’s legacy, and the documentary will delve into some of the efforts that are underway to restore and celebrate this Eagle Point cornerstone.

We Will Rebuild trailer: <https://bit.ly/3q45z2V>

Press Releases:

September Windows in Time: <https://bit.ly/3TXKfKg>

September Event Calendar: <https://bit.ly/3QDB5jU>

Support Services

Collection Development

Staff in Central Point have collaborated with Collection Development to update and expand their Spanish Language collection. Their efforts have already resulted in a steady increase of patrons of all ages browsing the section and circulating books and DVDs.

Technical Services

A variety of projects are progressing in Technical Services, including a plan to utilize leased books for adult titles with high patron holds, the evaluation of a new cataloging subscription with industry leader OCLC, and honing efficiencies in a new workflow for Outreach to Childcare materials selection. Interlibrary Loan (ILL) services



continue to be very popular with JCLS patrons, and Technical Services staff has been documenting procedures and protocols to streamline operations.

IT

IT, along with partners Hunter Communications and TouchPoint, have finished their visits to all 15 branches to assess placement for new Wireless Access Points (WAPs) that will be installed this fiscal year. The intent is to replace the old WAPs with newer equipment to increase Wi-Fi speeds, and also to add additional WAPs outdoors to improve and extend Wi-Fi to areas surrounding library buildings. The new WAP devices have been ordered and are expected to arrive later this Fall.

Facilities

JCLS received an update from Jackson County Facility Maintenance regarding the Ashland HVAC replacement project. Adam Trautman, Project Manager, reached out to contractor Outlier to check on lead times for equipment receipt. He reported that Outlier expects to receive the ordered equipment in late 2022 or more likely, early 2023. Trautman recommends keeping with the proposed Spring installation schedule to avoid extreme winter temperatures during the project, and to minimize the service disruptions while work is being done.

In other facilities happenings, Eagle Point's carpet replacement is on-track and progressing smoothly. The branch was closed the week after Labor Day to accommodate the work, and is looking forward to re-opening on September 13th. Making a convenient debut alongside the new carpet, the long-awaited Cloud Couch has arrived! This colorful and comfortable piece provides the perfect final flourish to the children's section refreshment project.





September 21, 2022

Title: Fiscal Year 2021 Audit and Plan of Action Letter

From: Brittany Brite, Finance Manager

Recommendation:

The Finance Committee recommends that the JCLD Board accept the fiscal year 2021 audit as presented and approve the plan of action letter.

Budget Impacts:

The District budgeted \$12,350 to complete the FY21 audit but with the news that the district’s current auditor, Isler, did not have the capacity to perform the audit, the district needed to seek out a new auditor late in the year. KDP Certified Public Accountants, LLP (KDP) was able to perform the audit and had estimated the total cost of the engagement to be \$22,000. In May 2022, the District was informed that KDP would need to perform out-of-scope work in order to complete the audit. This resulted in additional costs to both KDP and the District. The total cost to date for KDP’s auditing services for FY21 is \$82,750. The amount that has been written off by KDP totals \$76,067. The District budgeted \$114,000 in consulting fees. Actual expenses totaled approximately \$66,500. The difference of \$47,500 could be used to help cover the additional cost of the audit.

The District will be working closely with KDP to help lessen the likelihood of out-of-scope work for the FY22 audit.

Policies, Plans, and Goals Supported:

The audit was conducted by KDP Certified Public Accountants, LLP in accordance with auditing standards generally accepted in the United States of America and are in accordance with Oregon State Regulations.

Background and Additional Information:

The fiscal year 2021 audit has been completed by KDP with the opinion that the District’s financial statements “present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Jackson County Library District as of June 30, 2021, and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.”¹

Through the audit process, KDP found two prior period (FY20) and two current period (FY21) adjustments. Prior period adjustments included the addition of the library collection and Hulburt endowment funds to the financial statements. Per GASB regulations, the District’s library collection should have been on the government wide financials and depreciated in prior years. KDP has made this adjustment to correct the error. After receiving a copy of the Hulburt will, KDP discovered that, “per the will, the Trust became a wholly charitable trust, the purpose of which is to provide a permanent endowment for the benefit of the District.”² This finding concluded that the principal endowment is in the name of the District with the trustee being US Bank. Although

the District cannot use the principal funds unless the District plans to build a new building (1/2 of the principal can be used for this), the principal should be listed on the financial statements.

The fiscal year 2021 adjustments made relate to the capital contributions of library buildings from the County to the District and an adjustment to the Lindberg revenues to show them as a receivable at year end.

In addition, KDP has stated a material weakness in internal control over reporting. This statement is attached to the board packet and a plan of action is required by the Secretary of State in response to the letter to address the District's plan to address the listed deficiencies. The proposed plan of action includes the implementation of a year-end checklist that the Finance Manager will use to address year-end adjustments and a fiscal year-end review by the Library Director and Finance Committee to provide the District with a system of checks and balances to identify any issues that have yet to be addressed.

The fiscal year 2021 adjustments will be made to the District's accounting system and once completed, will allow the finance department to close the books. After the books have been closed, the finance department will be working to prepare the fiscal year 2022 documents for the next audit which is due on December 31st, 2022.

The fiscal year 2021 audit is required by The State of Oregon Audits Division and Municipal Audit Law. Audits are due within 180 days of fiscal year end and can be granted an extension for good cause with a reasonable timeline of completion and confirmation that the entity is currently engaged with an auditor. During fiscal year 2021, the District experienced many changes including a software conversion, change in accounting staff, change from accounting with LS&S to acquiring a finance team in house, and a new engagement with KDP, as the auditor. These changes, combined with a software change on the auditor's side and the unavailability of KDP until Spring 2022, made it difficult to complete the audit before the December 31, 2021 deadline. The Oregon Secretary of State accepted the request for an extension and has been in contact with KDP regarding the status of the District's audit. KDP staff will be present at the meeting to address any further questions the Board has in relation to the FY21 audit.

Citations:

1. Fiscal Year 2021 Independent Auditor's Report, A-1
2. Fiscal Year 2021 Independent Auditor's Report, 16

Attachments:

Fiscal Year 2021 Independent Auditor's Report
Communications to Governance
Plan of Action Letter

Jackson County Library District

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2021
WITH
INDEPENDENT AUDITOR'S REPORT**



Certified Public Accountants, LLP
audit | tax | advisory | wealth management | cfo

**JACKSON COUNTY LIBRARY DISTRICT
June 30, 2021**

Administrative Office:

205 S Central Avenue
Medford, Oregon 97501

BOARD OF DIRECTORS AS OF JUNE 30, 2021

Cathy Shaw	President
Eric Dziura	Vice President
Jill Turner	Director
Susan Kiefer	Director
George Prokop	Director

All Board Members receive mail at the address listed above.

**JACKSON COUNTY LIBRARY DISTRICT
YEAR ENDED JUNE 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Jackson County Library District
Jackson County, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Jackson County Library District, Oregon, (the District) as of and for the year ended June 30, 2021, 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

The District's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Jackson County Library District as of June 30, 2021, and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedules as listed in the table of contents 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 inquires 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 general fund and special revenue major governmental funds budgetary comparison schedules are the responsibility of management and were derived from and relate 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 general fund and special revenue major governmental funds budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by the State of Oregon

In accordance with Oregon State Regulations, we have also issued our report dated September 19, 2022 on our consideration of the District's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, including the provisions of Oregon Revised Statutes (ORS) as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*. The purpose of that report is to describe the scope of our testing necessary to address the required provisions of ORS, and not to provide an opinion on compliance with such provisions.



Aria Bettinger, CPA
KDP Certified Public Accountants, LLP
Medford, Oregon
September 19, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2021

This Management Discussion and Analysis (MD&A) is presented to facilitate financial analysis and provide an overview of the financial activities of the Jackson County Library District (the District) for the fiscal year ended June 30, 2021. Information in the MD&A is based on currently known facts, decisions and conditions. Please read it in conjunction with the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- During the fiscal year, the District identified errors related to recording an endowment, library collections, and note receivable. The result of these prior period adjustments increased beginning net position in the governmental statements by \$4,168,407 and beginning fund balance in the fund financials by \$2,395,323. See Note 2 in the financial statements for additional information.
- In the **government-wide statements**, the District's assets and deferred outflows totaled \$52,618,211 at June 30, 2021 consisting of \$32,593,715 in capital assets, \$19,070,890 in cash and investments, \$778,628 in receivables, \$174,978 in non-spendable prepaid expenses. The District's assets and deferred outflows increased by \$32,405,359, or 160% from the prior year (as restated).
- In the **government-wide statements**, the District's liabilities and deferred inflows totaled \$1,117,753 at June 30, 2021 consisting of accounts payable and other current liabilities. The District's liabilities increased by \$340,348, or 44% from the prior year.
- In the **government-wide statements**, the District's net position (assets/deferred outflows minus liabilities/deferred inflows) totaled \$51,500,458 at June 30, 2021, of which \$32,593,715 was net investment in capital assets, \$4,120,104 was considered restricted, and \$14,786,639 was considered unrestricted. In the prior year, net position totaled \$19,455,447 (as restated).
- The District's fund balance increased \$2,107,319 during the fiscal year ended June 30, 2021 from the restated prior year fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Basic Financial Statements and supplementary information are presented using the integrated approach as prescribed by GASB Statement No. 34. The Basic Financial Statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

1. Government-wide Financial Statements

The government-wide financial statements are designed to present the financial picture of the District in a manner similar to a private-sector business, i.e. from the economic resources measurement focus using the accrual basis of accounting.

The statement of net position includes all assets and deferred outflows of the District (including infrastructure) as well as all liabilities and deferred inflows (including long-term debt). Net position is the difference between assets/deferred outflows and liabilities/deferred inflows, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position may be an indicator of whether its financial health is improving or deteriorating.

The statement of activities reports all revenues when earned and expenses when incurred regardless of the timing of related cash flows. The focus of the statement of activities is to present the major program costs, matching major resources with each. To the extent a program's costs are not recovered by grants and direct charges, it is paid from general taxes and other general revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

In the government-wide financial statements, the District's activities are shown in one category:

- Library Services – The District's basic functions are shown here, such as library operations, library collections, software, maintenance and utilities. These activities are primarily financed through property taxes.

2. Fund Financial Statements

Following the government-wide statements is a section containing fund financial statements. The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the Library as a whole. 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 District funds are governmental funds.

Governmental Funds. The governmental fund statements emphasize available financial resources rather than net income. They are prepared using the current financial resources measurement focus and modified accrual basis of accounting. A reconciliation of the fund balance reported in the governmental funds balance sheet to the net position reported on the government-wide statement of net position, and a reconciliation of the change in fund balances reported in the governmental funds statement of revenues, expenditures and changes in fund balances to the change in net position reported in the government-wide statement of activities are provided to facilitate a comparison between governmental funds and governmental activities.

The District has two individual governmental funds, both of which are considered major funds and presented separately in the governmental funds financial statements. These funds are:

- The General Fund – funded primarily with property tax collections, expenditures are for general operation of the Library.
- The Special Revenue Fund – funded by grants and contributions designated for specific purposes.

The District also has a Capital Improvement Fund which is included in the General Fund for financial reporting purposes.

3. Notes to the Basic Financial Statements

The notes provide information that is essential for a full understanding of the data presented in the government-wide and fund financial statements (the basic financial statements). Information such as significant accounting policies and detail of certain assets/deferred outflows and liabilities/deferred inflows are included in the notes which should be read in conjunction with the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information as listed in the Table of Contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

The District's assets/deferred outflows exceeded liabilities/deferred inflows by \$51,500,458 at June 30, 2021. Net position for governmental activities totaled \$51,500,458.

	June 30, 2021	June 30, 2020	Increase/(Decrease)
Cash and investments	\$ 15,879,023	\$ 14,090,565	\$ 1,788,458
Assets held in trust (endowment)	3,191,867	2,661,154 *	530,713
Receivables	778,628	940,990	(162,362)
Other assets	174,978	-	174,978
Net capital assets	32,593,715	2,520,143 *	30,073,572
Total assets	52,618,211	20,212,852 *	32,405,359
Current liabilities	1,117,753	777,405	340,348
Total liabilities	1,117,753	777,405	340,348
Net position:			
Net investment in capital assets	32,593,715	2,520,143 *	30,073,572
Restricted - expendable	2,524,170	8,485,580 *	(5,961,410)
Restricted - nonexpendable	1,595,934	1,330,577 *	265,357
Unrestricted	14,786,639	7,099,147	7,687,492
Total Net Position	\$ 51,500,458	\$ 19,435,447 *	\$ 32,065,011

* As noted in Note 2 of the financial statements, prior period assets were restated. This resulted in a restatement of net position from \$15,267,040 to \$19,435,447.

As mentioned earlier, net position may be an indicator of the District's financial position. At the end of the current year, the District has a positive net position balance. Net position increased by \$32,065,011 from the prior year. The largest portion of the District's net position (63 percent) is its net investment in capital assets followed by its unrestricted net position, representing 29 percent of total net position.

Analysis of Changes in Net Position

The District's Statement of Activities for fiscal years ended June 30 are as follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Increase/(Decrease)</u>
Program Revenues			
Charges for Services	\$ 99,214	\$ 207,921	\$ (108,707)
Operating Grants and Contributions	419,236	694,577	(275,341)
General Revenues			
Property taxes	11,531,436	10,766,346	765,090
Earnings on investments	144,744	317,161	(172,417)
Change in value of endowment	530,713	-	530,713
Miscellaneous	114,607	-	114,607
Special item - capital contribution	29,723,278	-	29,723,278
Total Revenues	<u>42,563,228</u>	<u>11,986,005</u>	<u>30,577,223</u>
Expenses			
Library services	10,498,217	9,888,490	609,727
Total Expenses	<u>10,498,217</u>	<u>9,888,490</u>	<u>609,727</u>
Change in Net Position	<u>\$ 32,065,011</u>	<u>\$ 2,097,515</u>	<u>\$ 29,967,496</u>

Activities for the year ended June 30, 2020 are shown prior to the restatement described in Note 2 to the financial statements.

CAPITAL ASSETS

The buildings and equipment used by the District in the 15 libraries it runs were previously owned by Jackson County and leased back to the District at zero cost through an intergovernmental agreement. In the current fiscal year, Jackson County transferred ownership of eight library buildings and their associated land to the District. In addition, the County transferred ownership of five additional library buildings, without the associated land. This resulted in a total capital contribution of \$29,273,278. The District's capital assets at June 30, 2021 include land, buildings, and equipment for the various library locations, as well as digital and physical library collections. The net value at June 30, 2021 is \$32,593,715, an increase of \$30,073,572 from the prior year.

<u>Capital assets, net</u>	
Land	\$ 2,947,990
Buildings and Improvements	27,797,695
Machinery/Equipment/Vehicles	295,713
Library collections	1,552,317
Total	<u>\$ 32,593,715</u>

FUND ANALYSIS

The District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the District's governmental fund is to provide information on near-term inflows and balances of resources that are available for spending. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the District include the General Fund (combined with the Capital Improvement Fund) and the Special Revenue Fund.

At June 30, 2021, the District's general fund reported an ending fund balance of \$18,279,226. \$8,755,750 represents unassigned ending fund balance which is available for spending at the District's discretion.

At June 30, 2021, the District established a new fund Special Revenue Fund. The District's Special Revenue Fund reported an ending fund balance of \$4,120,104, consisting of the entire change in fund balance for the fiscal year. The entire fund balance was restricted at year end.

Key Budget Variances

A budget is prepared and legally adopted for each governmental fund type on the modified accrual basis of accounting. The budgetary basis of accounting is the same as accounting principles generally accepted in the United States of America for the governmental fund types, except capital outlay expenditures, including items below the District's capitalization level, and debt service, which are budgeted by major function in governmental fund types. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

During the fiscal year, the District exceeded its appropriation authority in the transfer function within the General Fund by \$2,395,320. This was due to the transfer of the assets held in trust (endowment) included in the prior period restatement in the General Fund that was then transferred to the newly created Special Revenue Fund during the year.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND RATES

The District's adopted revenues for fiscal year 2022 total \$12,062,499. Of this total, \$11,673,499 comes from property taxes which represent 96.8% of the total adopted revenues to be received. The Alameda and South Obenchain fires in September 2020 destroyed over 2400 homes and 100 businesses in the Phoenix and Talent areas, as well as in the Upper Rogue, which caused the District a loss in tax revenues. During the fiscal year 2022, House Bill 5006 granted counties a reimbursement of lost tax revenue related to the 2020 wildfires. This resulted in Distributions totaling approximately \$480,000 to the District to cover current and expected future property tax losses.

The District's adopted expenses for fiscal year 2022 total \$13,784,965, with a significant portion of the increase in operating expenses anticipated for increasing library hours of operations across the branches. While expanded hours were budgeted in fiscal year 2021, with the pandemic still in full force, the District was unable to increase hours and pushed many programs online, which caused actual costs to come in lower than budgeted amounts.

- The 2021/2022 budget includes a total of \$8,088,533 for personnel services which includes \$5,696,150 and \$2,392,383 in wages and benefits respectively.

- The 2021/2022 budget includes \$1,397,550 for library materials, including databases, physical and digital materials, and items that can be borrowed from the Library of Things.
- The 2021/2022 budget includes monies to support the following budget priorities:
 - Expand services across the branches through increased hours and technology that can enhance and provide access to library services outside of normal operating hours.
 - Develop a 3-5 year Strategic Plan
 - Revisit mobile technology and ways that the District can keep the community members connected outside of library walls.
 - Maintain a minimum General Fund ending balance equal to four months' worth of General Fund expenditures at June 30th.

The outbreak of COVID-19 in the United States, which started in March 2020, continues to cause disruption through mandated and voluntary closures of businesses and government agencies. The pandemic impacted service levels as the District operated at reduced hours and offered front door services from July to mid-September of 2021 when the building was closed to the public. In addition, the District closed for one week in February to allow staff to recover after a COVID-19 surge. These disruptions decreased workflow and spending which contributed to a higher ending fund balance than expected.

In February of 2022, the District was made aware of a proposed new Talent Urban Renewal Plan to help the community recover from the Almeda fire and to create a more resilient community. It is estimated that, if passed, the District will forgo approximately \$3,731,455 in deferred assessments over the course of 30 years. As of August 17, 2022, Talent's City Council decided to take more time to refine the proposed Urban Renewal Plan. That refinement will include pushing back the freeze date of the tax base and sending the plan to the public vote for approval.

REQUEST FOR INFORMATION

This financial report is designed to present users with a general overview of the Jackson County Library District's finances for all those with an interest in the District's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Finance Manager, Jackson County Library District, 205 S. Central Avenue, Medford Oregon, 97501.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**JACKSON COUNTY LIBRARY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021**

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 15,879,023
Property taxes receivable	493,549
Other receivables	30,128
Prepaid expenses	174,978
Note receivable	254,951
Assets held in trust (endowment)	3,191,867
Capital assets, net	<u>32,593,715</u>
TOTAL ASSETS	<u><u>52,618,211</u></u>
LIABILITIES:	
Accounts payable	776,703
Accrued payroll liabilities	204,436
Accrued compensated absences	<u>136,614</u>
TOTAL LIABILITIES	<u><u>1,117,753</u></u>
NET POSITION:	
Net investment in capital assets	32,593,715
Restricted - expendable	2,524,170
Restricted - nonexpendable	1,595,934
Unrestricted	<u>14,786,639</u>
TOTAL NET POSITION	<u><u>\$ 51,500,458</u></u>

**JACKSON COUNTY LIBRARY DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions/Programs:	Program Revenues		Net (Expense) Revenue and Change In Net Position	
	Expenses	Charges for Services		Operating Grants and Contributions
Governmental activities:				
Library services`	\$ 10,498,217	\$ 99,214	\$ 419,236	\$ (9,979,767)
Total government activities	<u>\$ 10,498,217</u>	<u>\$ 99,214</u>	<u>\$ 419,236</u>	<u>(9,979,767)</u>
General revenues:				
Property taxes levied for general purposes				11,531,436
Fines and fees				10,908
Earnings on investments				144,744
Change in value of endowment				530,713
Miscellaneous				103,699
Special item - capital contribution				<u>29,723,278</u>
Total general revenues and special item				<u>42,044,778</u>
CHANGE IN NET POSITION				32,065,011
NET POSITION - JUNE 30, 2020, as restated				<u>19,435,447</u>
NET POSITION - JUNE 30, 2021				<u>\$ 51,500,458</u>

FUND FINANCIAL STATEMENTS

**JACKSON COUNTY LIBRARY DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
ASSETS:			
Cash and investments	\$ 14,972,486	\$ 906,537	\$ 15,879,023
Property taxes receivable	493,549	-	493,549
Accounts receivable	-	30,128	30,128
Note receivable	-	254,951	254,951
Assets held in trust (endowment)	-	3,191,867	3,191,867
TOTAL ASSETS	<u>\$ 15,466,035</u>	<u>\$ 4,383,483</u>	<u>\$ 19,849,518</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 769,669	\$ 7,034	\$ 776,703
Payroll liabilities	203,042	1,394	204,436
TOTAL LIABILITIES	<u>972,711</u>	<u>8,428</u>	<u>981,139</u>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue - property taxes	334,202	-	334,202
Unavailable revenue - note receivable	-	254,951	254,951
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>334,202</u>	<u>254,951</u>	<u>589,153</u>
Fund Balances:			
Restricted			
Assets held in trust (endowment)	-	3,191,867	3,191,867
Hulburt Trust	-	379,485	379,485
Ashland public library	-	173,096	173,096
Central Point public library	-	314,291	314,291
Miscellaneous	-	61,365	61,365
Committed			
Capital projects	5,403,372	-	5,403,372
Unassigned	8,755,750	-	8,755,750
TOTAL FUND BALANCES	<u>14,159,122</u>	<u>4,120,104</u>	<u>18,279,226</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	<u>\$ 15,466,035</u>	<u>\$ 4,383,483</u>	<u>\$ 19,849,518</u>

**JACKSON COUNTY LIBRARY DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION**

TOTAL FUND BALANCES		\$ 18,279,226
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Cost	\$ 43,055,008	
Accumulated depreciation	<u>(10,461,293)</u>	
		32,593,715
A portion of the District's property taxes are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore are not reported as revenue in the governmental funds.		334,202
Prepays are not included in the governmental funds.		174,978
Note receivable is not a current available resource.		254,951
Long-term liabilities not payable in the current year are not reported as governmental fund liabilities. These liabilities consist of:		
Accrued compensated absences		<u>(136,614)</u>
TOTAL NET POSITION		<u><u>\$ 51,500,458</u></u>

**JACKSON COUNTY LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

	General Fund	Special Revenue Fund	Total
REVENUES			
Property taxes	\$ 11,674,800	\$ -	\$ 11,674,800
Grants and donations	17	419,219	419,236
Charges for services	99,214	-	99,214
Fines and fees	10,908	-	10,908
Earnings on investments	131,697	13,047	144,744
Change in value of endowment	-	530,713	530,713
Miscellaneous	103,699	10,880	114,579
TOTAL REVENUES	12,020,335	973,859	12,994,194
EXPENDITURES			
Current			
Library services	9,911,606	198,745	10,110,351
Capital outlay	617,849	158,675	776,524
TOTAL EXPENDITURES	10,529,455	357,420	10,886,875
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,490,880	616,439	2,107,319
OTHER FINANCING SOURCES (USES)			
Transfers in/(out)	(3,503,665)	3,503,665	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,503,665)	3,503,665	-
NET CHANGE IN FUND BALANCE	(2,012,785)	4,120,104	2,107,319
FUND BALANCE, JUNE 30, 2020, as restated	16,171,907	-	16,171,907
FUND BALANCE, JUNE 30, 2021	\$ 14,159,122	\$ 4,120,104	\$ 18,279,226

**JACKSON COUNTY LIBRARY DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

NET CHANGE IN FUND BALANCE \$ 2,107,319

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

Government funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

Expenditures for capital assets	\$ 1,543,726	
Less current year depreciation	<u>(1,193,432)</u>	350,294

When capital assets are contributed, revenue is recognized in the government-wide statements and not the governmental funds. This is the amount of capital contributions in the current year. 29,723,278

Expenditures for services extending over more than one accounting period may be accounted for as expenditures of the period of acquisition in the governmental funds. This is the change in the amount of prepaids in the Statement of Activities. 174,978

Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Activities property taxes are recognized as revenue when levied. (157,466)

Payments on the note receivable are recognized as revenue in the governmental funds and a reduction in the note receivable in the Statement of Activities. (10,880)

Compensated absences are recognized as an expenditure in the governmental funds when they are paid. In the Statement of Activities compensated absences are recognized as an expenditure when earned. (122,512)

CHANGE IN NET POSITION \$ 32,065,011

NOTES TO BASIC FINANCIAL STATEMENTS

**JACKSON COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Note 1 - Summary of Significant Accounting Policies

The District

The Jackson County Library District (the District) was created by the voters of Jackson County through Measure 15-122 on May 20, 2014. The District is a municipal corporation governed by a five-member board of directors.

The financial statements of Jackson County Library District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. The more significant of the District's accounting policies are described below.

The Financial Reporting Entity

As required by GAAP, the financial reporting entity consists of the District, as well as its component units, which are legally separate organizations. The criteria for including organizations as component units within the District's reporting entity include whether a) the organization is legally separate (can sue and be sued in their own name), b) the District holds the corporate powers of the organization, c) the District appoints a voting majority of the organization's board, d) the District is able to impose its will on the organization, e) the organization has the potential to impose a financial benefit/burden on the District, and f) there is fiscal dependency by the organization on the District.

Based on the aforementioned criteria, the District has no component units and is not a component unit of any other entity.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities report information on all of the activities of the District. The primary focus of the District is to provide library services to the citizens of Jackson County. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents the direct expenses of the District and the related revenues categorized into charges for services and operating grants and contributions. Direct expenses are those that are clearly identifiable with a specific function or program. Indirect expenses are those costs, usually administrative in nature, that support all District functions and enable direct services to be provided. Program revenues include: 1) fees, fines and charges to patrons who purchase, use or directly benefit from goods, services or privileges and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, investment income and other items not included among program revenues are reported as general revenues.

The government-wide financial statements are accounted for using an economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Non-exchange transactions, in which the District receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the year for which the taxes are levied. Revenues from grants and similar items are recognized when all eligibility requirements have been satisfied. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Net Position is reported as restricted when constraints placed on asset use is either externally restricted, imposed by creditors (such as through grantors, contributors or laws) or through constitutional provisions or enabling resolutions.

**JACKSON COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

The District uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has designated all of its funds as major funds.

The governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resources measurement focus whereby only current assets (deferred outflows) and current liabilities (deferred inflows) generally are included in the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases and decreases in those current net fund balances. Governmental funds use the modified accrual basis of accounting where revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Under this method, revenues, when material, are recognized when susceptible to accrual (measurable and available to finance expenditures for the current period). "Measurable" means the amount can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The District considers property taxes available and susceptible to accrual if they are collected within 60 days after year-end.

Intergovernmental revenues are recognized when all eligibility requirements are met. Eligibility requirements for intergovernmental revenues received on a reimbursement basis (i.e., where monies must be expended on specific projects or for a specific purpose before any amounts are paid to the District) are determined to be met when the underlying expenditures are recorded. Eligibility requirements for intergovernmental revenues, which are unrestricted as to purpose of the expenditure and are usually revocable only for failure to comply with prescribed requirements, are considered to be met at the time of receipt or when susceptible to accrual.

Property taxes are reflected as revenues in the fiscal period for which they were levied, provided they are due, or past due, and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). Otherwise, they are reported as a deferred inflow of resources (unavailable revenue). Property taxes, which are held at year end by the collecting agency, Jackson County, and are remitted to the District within the 60-day period, are reported as "Property Taxes Receivable".

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, reconciliation is provided to explain the differences between the governmental fund statements and the governmental column of the government-wide presentation. This reconciliation is part of the financial statements.

**JACKSON COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Financial Statement (continued)

The District reports the following major governmental funds:

General Fund – This is the District’s primary operating fund. It accounts for the general operations of the government. Principal sources of revenues are property taxes and earnings on investments. Expenditures are for the operation and maintenance of the library system. This fund includes the Capital Improvement Fund, which is used to account for capital improvement projects and major capital equipment purchases. These funds are combined under generally accepted accounting principles.

Special Revenue Fund – This fund accounts for revenues designated for specific purposes. This fund accounts for the revenues and expenditures related to specific purpose grants, donations, and other revenues when required by statute or the terms of the grant.

Cash and Investments

The District’s cash and cash equivalents consist of cash on hand and demand deposits.

The District’s investments, authorized under state statute, consist of the State of Oregon Treasurer’s Local Government Investment Pool (LGIP). Changes in the fair value of investments are recorded as investment earnings.

The LGIP is stated at cost which approximates fair value. Fair value of the LGIP is the same as the District’s value in the pool shares. The Oregon State Treasury administers the LGIP. It is an open-ended no-load diversified portfolio offered to any agency, political subdivision or public corporation of the State that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State’s short-term funds. In seeking to best serve local governments of Oregon, the Oregon legislature established the Oregon Short-Term Fund Board. The purpose of the Board is to advise the Oregon State Treasury in the management and investment options of the LGIP. The investments are regulated by the Oregon Short Term Fund Board and approved by the Oregon Investment Council (ORS 294.805 to 294.895).

Assets Held in Trust (endowment)

The District is the sole beneficiary to the Kenneth A. & Lucille D. Hulburt Family Trust (see Note 5). The District recognizes this endowment on the Balance Sheet and Statement of Net Position as Assets held in trust (endowment). This endowment has both an expendable and non-expendable component. Adjustments to the endowment’s carrying value are reported as a change in the value of endowment.

Property Taxes

Property taxes are levied on all taxable property as of January 1. Property taxes become a lien on July 1. Collection dates are November 15, February 15 and May 15. Discounts are allowed if the full amount due is received by November 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established.

Accounts and Other Receivables

Accounts receivable and other receivables consist primarily of charges for services, claims for reimbursement of costs under various federal and state grant programs and refunds of prior year expenditures.

**JACKSON COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Note 1 – Summary of Significant Accounting Policies (continued)

Note Receivable

On July 24, 2017, the District sold real property situated in Ashland, Oregon for the amount of \$390,000. As part of this sale, the District agreed to act as the noteholder for \$290,000 at 5% interest. The borrower is obligated to make monthly principal and interest payments of \$1,557, with all indebtedness due by December 31, 2023. As of June 30, 2021, \$254,951 remains on the receivable balance.

Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$5,000 or greater and an estimated useful life in excess of one year. Capital assets are recorded at historical cost. Donated capital assets are recorded at their acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings – 40 years
Building improvements – 7 to 10 years
Furniture, Vehicles, and Equipment – 8 to 20 years
Library Collections – 3 to 5 years

Prepays

In the government-wide financial statements, prepaids are considered a current asset because they are expected to be consumed, used, or exhausted in a future accounting period. In the fund financial statements, prepaids are not reported and are included as an expenditure in the period of acquisition.

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All unused vacation pay is accrued when earned in the government-wide financial statements.

Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvements of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – Net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

**JACKSON COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position (continued)

Unrestricted net position – Consists of all other net position that does not meet the definition of the above two components and is available for general use by the District (such as property taxes, fines, fees, and charges for services).

Fund Balance Reporting

In the fund financial statements, governmental fund equity is classified in the following categories:

Non-Spendable – Includes items not immediately converted to cash, such as prepaid items and inventory.

Restricted – Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed – Includes items that can be used only for the specific purposes determined by a formal action of the District's governing board.

Assigned – Includes items assigned for specific purposes but which do not meet the criteria to be classified as restricted or committed.

Unassigned – This is the residual classification used for those balances not assigned to another category.

The District has approved the following order of spending regarding fund balance categories: Restricted resources are spent first when both restricted and unrestricted (committed, assigned or unassigned) resources are available for expenditures. When unrestricted resources are spent, the order of spending is committed (if applicable), assigned (if applicable), and lastly unassigned fund balance.

The District has established a policy to maintain a minimum of General Fund ending fund balance equal to four months' worth of General Fund expenditures at year end. The District believes a reserve of this level is prudent to provide for cash flow until property taxes are received, and to protect the District from the effects of a down turn in the economy.

Jackson County Library Foundation (the Foundation)

The Foundation was created in 1982 and organized as a legally separate entity in 1993 as a 501(c)(3) not-for-profit organization. The Foundation exists for the purpose of securing and responsibly managing contributions from individuals, businesses, and foundations to help build community support for the Jackson County Library System in its efforts to learn, grow, and connect with the entire community. The Foundation board consists of between three and seven members from the community that direct the functions of the Foundation and make decisions regarding the direction of the Foundation and the projects it will support. The District has evaluated the Foundation and determined that it does not meet the requirements to be presented as a component unit as the resources held are not considered to be significant to the District.

**JACKSON COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Note 1 – Summary of Significant Accounting Policies (continued)

Friends of the Library

Jackson County Friends of the Library (Friends) organizations support the libraries by providing partnership and support in their own community as each library branch has its own Friends organization. The Friends organizations provide support in a variety of ways including supporting education and literacy by funding important programs for children and youth, volunteerism, sponsoring book clubs, author visits and presenters of cultural and historical programs, and community advocacy and awareness. None of the Friends organizations are considered to meet the qualifications to be a component unit of the District as they are all independently managed and governed, and the resources held by each are not considered to be significant to the District.

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 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 on net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

Additionally, the District has deferred inflows which arise only under the modified accrual basis of accounting that qualify for reporting in this category. Accordingly, these items, unavailable revenue related to property taxes and a note receivable, are reported only in the governmental funds balance sheet.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Future GASB Pronouncements

The following GASB pronouncements have been issued, but are not effective as of June 30, 2021:

GASB Statement No. 87, *Leases*. Issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments and increases the usefulness of governments' financial statements. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement No. 87 will be effective for the District for fiscal year ending June 30, 2022.

GASB Statement No. 89, *Accounting for Interest Costs Incurred Before the End of a Construction Period*. This statement was issued June 2018 to establish accounting requirements for interest cost incurred before the end of a construction period. The objectives of the Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. GASB Statement No. 89 will be effective for the District for fiscal year ending June 30, 2022.

**JACKSON COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Note 1 – Summary of Significant Accounting Policies (continued)

Future GASB Pronouncements (continued)

GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. GASB Statement No. 91 will be effective for the District for fiscal year ending June 30, 2023.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement's objective is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. This statement will be effective for the District for fiscal year ending June 30, 2023.

The District is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the District's future financial statements.

Note 2 – Restatement of Beginning Net Position and Fund Balance

During the fiscal year ended June 30, 2021, the District identified the following errors, resulting in a restatement on beginning fund balance and beginning net position:

Library collection – The District identified an error within their capital assets. The error was the result of failing to capitalize the library collection.

Assets held in trust (endowment) – The District noted that they had failed to record the establishment of this endowment when the resources were received and all eligibility requirements had been met.

Note receivable – The District included a long-term receivable on their fund financials without the offsetting deferred inflow of resources as the receivable is not a current financial resource.

The summary below denotes the increase in net position in the Statement of Activities as a result of the correction of these errors:

Total Net Position		
Beginning	\$	15,267,040
Restatement adjustments:		
Assets held in trust (endowment)		2,661,154
Library collections		1,507,253
		<hr/>
Total Net Position		
Beginning - as restated	\$	<u><u>19,435,447</u></u>

**JACKSON COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Note 2 – Restatement of Beginning Net Position and Fund Balance (continued)

The summary below denotes the increase in the General Fund Fund Balance as a result of the correction of these errors:

General Fund Fund Balance			
Beginning (General Fund)	\$	7,730,657	
Beginning (Capital Projects Fund)		6,045,927	
Restatement adjustments:			
Note receivable		(265,831)	
Endowment		2,661,154	
		2,661,154	
Total General Fund Fund Balance			
Beginning - as restated	\$	16,171,907	

Note 3 – Appropriation and Budgetary Controls

The District is subject to provisions of the Oregon Revised Statutes, which set forth local budget procedures. A budget is prepared for each fund on the modified accrual basis of accounting. Expenditure budgets are appropriated by the following categories within each fund: personnel services; materials and services; capital outlay; debt service; transfers and contingency. The resolution authorizing appropriations for each fund sets the level by which expenditures cannot legally exceed appropriations.

Unexpected additional resources may be added to the budget through the use of a supplemental budget and appropriation resolution.

Supplemental budgets less than 10% of a fund’s original budget may be adopted by the Board at a regular meeting. A supplemental budget of 10% or more of a fund’s original budget requires hearings before the public, publication in newspapers, and approval by the Board. Original and supplemental budgets may be modified by the use of appropriation transfers within a fund between the levels of control (major function levels) with Board approval.

Appropriations lapse at the end of each fiscal year.

Transfers of appropriations from one fund to another or from one appropriation level to another must be authorized by official resolution or ordinance of the governing body. The resolution or ordinance must state the need for the transfer, the purpose for the authorizes expenditures and the amount of the appropriation transferred.

During the fiscal year ended June 30, 2021, the District was in compliance with Local Budget Law, except for the following two items:

- The District transferred resources from the General Fund to the Special Revenue Fund without a corresponding transfer of appropriations. As a result, the resolution that authorized the transfer of funds from the General Fund to the Special Revenue fund was not in balance in the Special Revenue Fund because resources by themselves cannot be transferred between funds without the corresponding transfer of appropriation.
- The District exceeded transfer appropriations in the General Fund by \$2,395,320. This was a result of transferring the endowment included in the Restatement of Beginning Net Position and Fund Balance (See Note 2) to the newly created Special Revenue Fund in the current year.

**JACKSON COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Note 4 – Cash and Investments

Pooled Deposits and Investments

The District maintains a cash and investment pool that is available for use by all funds. Each fund’s portion of this pool is displayed as “cash and investments.”

Cash and investments are comprised of the following as of June 30, 2021:

Carrying amount of investments (LGIP)	\$ 15,463,706
Carrying amount of demand deposits	413,214
Petty cash	2,103
	\$ 15,879,023
Total cash and investments	\$ 15,879,023

The District participates in the State of Oregon Local Investment Pool (LGIP or Pool) which is an open ended, no-load diversified portfolio created under ORS 294.805 to 294.895 and is not registered with the U.S. Securities and Exchange Commission as an investment company. The State Treasurer is the investment officer for the Pool and is responsible for all funds in the Pool.

These funds must be invested and managed, like that of a prudent investor, 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. The Oregon Audits Division of the Secretary of State’s Office audits the Pool annually. The State of Oregon Local Government Investment Pool is not rated. Same day wire redemptions cannot exceed \$1.5 million and withdrawals in excess of \$25 million may require 48 hours notice.

The District’s position in the pool at June 30, 2021 is carried at cost, which approximates fair value.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. State statutes require that all bank deposits in excess of the FDIC or FSLIC insurance amounts be collateralized through the Oregon State Treasurer’s Public Funds Collateralization Program. This program provides a structure for specified depositories to participate in a shared liability collateral pool.

The Oregon State Treasurer is responsible for monitoring public funds held by bank depositories in excess of FDIC insured amounts, and for assuring that public funds on deposit are collateralized to the extent required by Oregon Revised Statute (ORS) 295. ORS 295 requires depository banks to place and maintain on deposit with a third-party custodian bank securities having a value of 10 percent, 25 percent or 110 percent of public funds on deposit depending primarily on the capitalization level of the depository bank. Deposits in the Public Funds Collateralization Pool are not 100 percent guaranteed.

Deposits with financial institutions are comprised of bank demand deposits. For the fiscal year ended June 30, 2021, the carrying amounts of the District’s deposits in various financial institutions were \$413,214 and the bank balances were \$549,202. For deposits in excess of federal depository insurance (currently limited to balances less than \$250,000), Oregon Revised Statute 295 requires a multiple financial institution collateral pool and eliminated Certificates of Participation. As a result, all balances over the \$250,000 FDIC limit are collateralized. As of June 30, 2021, the District’s deposits with various financial institutions were covered by the federal depository insurance.

**JACKSON COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Note 4 – Cash and Investments (continued)

Investments and Credit Risk

The State of Oregon statutes restrict the types of investments in which the District may invest. Under these guidelines, public funds may be invested in time certificates of deposit, general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances and the State Treasurer's Investment Pool, among others.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Investments in the LGIP are not required to be rated.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the risk that its fair value will decline if the interest rates rise. The District has no formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

Concentration of Credit Risk - The District is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The District has no such investments.

Custodial Credit Risk – Investments - Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the District will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The LGIP's portfolio rules provide that brokers/dealers meet certain qualifications and that investments are delivered to and held by a third-party custodian which holds the securities in the State of Oregon's name.

Note 5 – Assets Held in Trust (endowment)

The Kenneth A. & Lucille D. Hulburt Family Trust (the Trust) was created under Article II of the last will of Kenneth A. Hulburt. The will provided that Kenneth A. Hulburt, II would be the sole beneficiary of the Trust until his death, which occurred on September 21, 2007. At this point, per the will, the Trust became a wholly charitable trust, the purpose of which is to provide a permanent endowment for the benefit of the District.

U.S. Bank National Association (US Bank) is the trustee for the endowment. US Bank provides distributions to the District each year to in an amount equal to the greater of a) 5% of the net fair market value of the trust assets, valued as of the first business day of such year, or b) the minimum amount required under Section 4942 of the Code. In the year ended June 30, 2021, the District received \$124,840 in distributions from the Trust.

The net income from the Trust is restricted for the following purpose: One half of the net income shall be allocated to the youth department, and one half of the net income shall be allocated towards programs to assist mature readers.

If a new library building is built, one half of the principal of the endowment may be disbursed to assist the District in endowing a youth section.

**JACKSON COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Note 5 – Assets Held in Trust (endowment) (continued)

The change in the value of the endowment for the year ended June 30, 2021 was as follows:

Interest and dividends	\$ 63,523
Net realized and unrealized gain (loss)	603,622
Distributions	<u>(136,432)</u>
Total change in value of endowment	<u>\$ 530,713</u>

Note 6 – Fair Value Measurements

Fair value is 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. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 – Inputs to the valuation methodology are adjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the assets or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table discloses by level the fair value hierarchy of the District’s assets at fair value as of June 30, 2021:

Investments Measured at Fair Value:	Totals as of 06/30/21	Level One	Level Two	Level Three	Amortized Cost Measurement Not Measured at Fair Value
Local Government Investment Pool	\$ 15,463,706	\$ -	\$ -	\$ -	\$ 15,463,706
Assets Held in Trust (endowment):					
Cash and cash equivalents	231,133	231,133	-	-	-
Equity	1,955,503	1,955,503	-	-	-
Fixed income	839,814	839,814	-	-	-
Real estate	126,660	126,660	-	-	-
Commodities	38,757	38,757	-	-	-
	<u>\$ 18,655,573</u>	<u>\$ 3,191,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,463,706</u>

**JACKSON COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Note 7 – Capital Assets

Capital asset activity for the year was as follows:

	Balance July 1, 2020, as restated	Additions	Transfers/ Disposals	Balance June 30, 2021
Capital assets not being depreciated:				
Land	\$ -	\$ 2,947,990	\$ -	\$ 2,947,990
Total capital assets not being depreciated	-	2,947,990	-	2,947,990
Capital assets being depreciated:				
Buildings and improvements	1,080,497	27,459,549	-	28,540,046
Machinery/Equipment/Vehicles	372,771	196,733	-	569,504
Library collections	11,203,986	662,732	(869,250)	10,997,468
Total	12,657,254	28,319,014	(869,250)	40,107,018
Less accumulated depreciation for:				
Buildings and improvements	(218,649)	(523,702)	-	(742,351)
Machinery/Equipment/Vehicles	(221,729)	(52,062)	-	(273,791)
Library collections	(9,696,733)	(617,668)	869,250	(9,445,151)
Total	(10,137,111)	(1,193,432)	869,250	(10,461,293)
Total capital assets, net:				
Land	-	2,947,990	-	2,947,990
Buildings and Improvements	861,848	26,935,847	-	27,797,695
Machinery/Equipment/Vehicles	151,042	144,671	-	295,713
Library collections	1,507,253	45,064	-	1,552,317
Total	\$ 2,520,143	\$30,073,572	\$ -	\$ 32,593,715

Depreciation expense of \$1,193,432 was charged to library services in the Statement of Activities.

Note 8 – Capital Contribution

Effective July 1, 2020, Jackson County (the County) transferred ownership of eight library buildings and their associated land to the District. In addition, the County transferred ownership of five additional library buildings, without the associated land. The total value of this contribution was valued at \$29,723,278. This represents the Real Market Value as provided by the Jackson County tax assessor's office, which approximates acquisition value. If any building is no longer used as a library, ownership of that building reverts to the entity as noted in the bill of sale or deed document.

Note 9 – Interfund Transactions

The District made transfers from the General Fund to the Special Revenue Fund to cover costs associated with the creation of the new fund.

	Transfers	
	In	Out
General Fund	\$ -	\$ 3,503,665
Special Revenue Fund	3,503,665	-
	\$ 3,503,665	\$ 3,503,665

**JACKSON COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Note 10 – Accrued Compensated Absences

The changes in accrued compensated absences for the year ended June 30, 2021 are as follows:

	Balance June 30, 2020	Earned	Used	Balance June 30, 2021	Due Within One Year
Governmental activities	\$ 14,102	\$ 154,999	\$ 32,487	\$ 136,614	\$ 136,614

Note 11 – Operating Leases

Copier Lease

The District leases equipment under non-cancelable operating leases. Total costs for such leases were \$23,845 for the fiscal year ended June 30, 2021. The future minimum lease payments for these leases are as follows:

Year Ending June 30,	
2022	\$ 23,220
2023	23,220
2024	23,220
2025	11,367
	<u>\$ 81,027</u>

Lease of Premises

In conjunction with the capital contribution noted in *Note 8*, the County terminated their lease agreements for the libraries and associated properties that they did not own. As a result, the District entered into new ground lease only obligations associated with five libraries, and building and land lease agreements associated with two libraries. The District is obligated to pay \$1 per year for each lease agreement. The current term conclusions for these agreements range from June 30, 2043 through June 30, 2103.

Note 12 – Retirement Plan

The District offers its employees a retirement plan program established pursuant to Section 401(a) of the Internal Revenue Code (the Code). The District provides each employee with a 401(a) contribution equivalent to 6% of their salary automatically after 90 days of employment. The District also matches 0.5% for every 1% an employee puts into their 457 retirement savings up to a 2% match. Contributions made by the District for qualified employees for the year ended June 30, 2021 totaled \$200,405. In addition, the District offers the option for employees to contribute to a retirement plan established pursuant to Section 457 of the Code. This plan is not contributed to by the District and is the sole responsibility of the employee to elect to contribute.

Note 13 – Current Vulnerability Due to Certain Concentrations

The District's operations are concentrated within Jackson County. In addition, substantially all the District's revenues for continuing operations are from federal, state, and local government agencies, primarily from property tax revenue. In the normal course of operations, the District receives grant funds from various agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

**JACKSON COUNTY LIBRARY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

Note 14 – Risk Management

The District is exposed to various risk of loss related to torts; theft or damage to, and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. The District reviews the coverage periodically, and there have not been any significant claims.

Note 15 – Uncertainties

On March 13, 2020, the President of the United States declared a State of Emergency associated with the COVID-19 global pandemic. The COVID-19 outbreaks in the United States have caused disruption through mandated and voluntary closures of businesses and government agencies. While these disruptions are ongoing, there is considerable uncertainty of the impact these will have.

Note 16 – Tax Abatements

As of June 30, 2021, Jackson county provides tax abatements through four programs: Enterprise Zone, Commercial Facilities Under Construction, Food Processor, and Solar. For the fiscal year ended June 30, 2021, the District's abated property taxes totaled \$30,437 under these programs.

Note 17 – Subsequent Events

Management of the District has evaluated events and transactions occurring after June 30, 2021 through September 19, 2022 the date of the financial statements were available for issuance, for recognition and/or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**JACKSON COUNTY LIBRARY DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GENERAL FUND
YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Total</u>
REVENUES			
Property taxes and other taxes	\$ 11,674,800	\$ -	\$ 11,674,800
Grants and donations	17	-	17
Charges for services	99,214	-	99,214
Fines and fees	10,908	-	10,908
Earnings on investments	90,419	41,278	131,697
Miscellaneous	103,699	-	103,699
	<u>11,979,057</u>	<u>41,278</u>	<u>12,020,335</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Library services	9,537,825	373,781	9,911,606
Capital outlay	7,797	610,052	617,849
	<u>9,545,622</u>	<u>983,833</u>	<u>10,529,455</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	<u>2,433,435</u>	<u>(942,555)</u>	<u>1,490,880</u>
OTHER FINANCING SOURCES (USES)			
Transfers in/(out)	<u>(3,803,665)</u>	<u>300,000</u>	<u>(3,503,665)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
	<u>(3,803,665)</u>	<u>300,000</u>	<u>(3,503,665)</u>
NET CHANGE IN FUND BALANCE			
	(1,370,230)	(642,555)	(2,012,785)
FUND BALANCE, JUNE 30, 2020, as restated			
	<u>10,125,980</u>	<u>6,045,927</u>	<u>16,171,907</u>
FUND BALANCE, JUNE 30, 2021			
	<u>\$ 8,755,750</u>	<u>\$ 5,403,372</u>	<u>\$ 14,159,122</u>

**JACKSON COUNTY LIBRARY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 10,920,995	\$ 10,920,995	\$ 11,674,800	\$ 753,805
Grants and donations	106,000	106,000	17	(105,983)
Charges for services	204,320	204,320	99,214	(105,106)
Fines and fees	34,000	34,000	10,908	(23,092)
Earnings on investments	312,000	312,000	90,419	(221,581)
Miscellaneous	-	-	103,699	103,699
TOTAL REVENUE	11,577,315	11,577,315	11,979,057	401,742
EXPENDITURES				
Current:				
Personnel costs	6,555,950	6,555,950	5,548,979	1,006,971
Material and services	5,368,918	5,303,658	3,988,846	1,314,812
Capital outlay	215,000	215,000	7,797	207,203
Contingency	750,000	750,000	-	750,000
TOTAL EXPENDITURES	12,889,868	12,824,608	9,545,622	3,278,986
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,312,553)	(1,247,293)	2,433,435	3,680,728
OTHER FINANCING SOURCES (USES):				
Transfers out	(1,343,085)	(1,408,345)	(3,803,665)	(2,395,320)
TOTAL OTHER FINANCING SOURCES (USES)	(1,343,085)	(1,408,345)	(3,803,665)	(2,395,320)
NET CHANGE IN FUND BALANCE	(2,655,638)	(2,655,638)	(1,370,230)	1,285,408
FUND BALANCE, June 30, 2020, as restated	5,524,015	5,524,015	10,125,980	4,601,965
FUND BALANCE, June 30, 2021	\$ 2,868,377	\$ 2,868,377	\$ 8,755,750	\$ 5,887,373

**JACKON COUNTY LIBRARY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget Positive (Negative)
REVENUES				
Earnings on investments	\$ 110,000	\$ 110,000	\$ 41,278	\$ (68,722)
TOTAL REVENUES	<u>110,000</u>	<u>110,000</u>	<u>41,278</u>	<u>(68,722)</u>
EXPENDITURES				
Materials and services	100,000	500,000	373,781	126,219
Capital outlay	<u>6,486,279</u>	<u>6,086,279</u>	<u>610,052</u>	<u>5,476,227</u>
TOTAL EXPENDITURES	<u>6,586,279</u>	<u>6,586,279</u>	<u>983,833</u>	<u>5,602,446</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(6,476,279)</u>	<u>(6,476,279)</u>	<u>(942,555)</u>	<u>5,533,724</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,176,279)	(6,176,279)	(642,555)	5,533,724
FUND BALANCE, June 30, 2020	<u>6,176,279</u>	<u>6,176,279</u>	<u>6,045,927</u>	<u>(130,352)</u>
FUND BALANCE, June 30, 2021	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,403,372</u>	<u>\$ 5,403,372</u>

**JACKSON COUNTY LIBRARY DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2021**

	Budget		Actual	Variance with
	Adopted	Final		Final Budget
				Positive (Negative)
REVENUES				
Grants and donations	\$ 408,075	\$ 408,075	\$ 419,219	\$ 11,144
Earnings on investments	30,500	30,500	13,047	(17,453)
Miscellaneous revenue	-	-	10,880	10,880
TOTAL REVENUE	438,575	438,575	443,146	4,571
EXPENDITURES				
Current:				
Personnel costs	145,000	145,000	39,033	105,967
Material and services	604,575	604,575	159,712	444,863
Capital outlay	219,585	219,585	158,675	60,910
TOTAL EXPENDITURES	969,160	969,160	357,420	611,740
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(530,585)	(530,585)	85,726	616,311
OTHER FINANCING SOURCES (USES):				
Transfers in	1,043,085	1,043,085	3,503,665	2,460,580
TOTAL OTHER FINANCING SOURCES (USES)	1,043,085	1,043,085	3,503,665	2,460,580
NET CHANGE IN FUND BALANCE	512,500	512,500	3,589,391	3,076,891
FUND BALANCE, June 30, 2020	-	-	-	-
FUND BALANCE, June 30, 2021	\$ 512,500	\$ 512,500	3,589,391	\$ 3,076,891
Adjustment to generally accepted accounting principles (GAAP) basis:				
Change in value of endowment			530,713	
FUND BALANCE, June 30, 2021 (GAAP basis)			\$ 4,120,104	

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Jackson County Library District
Jackson County, Oregon

We have audited the basic financial statements of the Jackson County Library District (the District) as of and for the year ended June 30, 2021, and have issued our report thereon dated September 19, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-010-0000 through 162-010-0320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, 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 the 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 but were not limited to the following:

- Deposit of public funds with financial institutions under ORS Chapter 295.
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required under ORS Chapter 294.
- Insurance and fidelity under bonds in force or required by law.
- Programs funded from outside sources.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing under ORS Chapters 279A, 279B, 279C.

In connection with our testing, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administration Rules 162-010-0000 through 162-010-0320 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, except as noted in *Note 3 (Appropriation and Budgetary Controls)* of the Financial Statements.

OAR 162-010-0230 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 opinions 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.

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



Aria Bettinger, CPA
KDP Certified Public Accountants, LLP
Medford, Oregon
September 19, 2022

September 19, 2022

To the Board of Directors and Management
Jackson County Library District

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the Jackson County Library District as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness.

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. We consider the following deficiency in internal control to be material weaknesses:

- A significant audit adjustment is a proposed correction to the financial statements that, in our judgment, may not have been detected except through our auditing procedures. We proposed significant adjustments to the current and prior period related to a number of accounts. The existence of such material adjustments indicates that the District's system of controls did not detect and prevent such errors. Management should examine the adjustments required as a result of our audit and assess the cost-benefit of improving the internal control system to prevent the adjustments in the future. Management should address inherent limitations in the internal control system and modify their oversight function accordingly. Management will review the adjustments provided by the auditors to prevent adjustments in the future.

This communication is intended solely for the information and use of management, the Board of Directors, others within the 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.

Very truly yours,



Aria Bettinger, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, OR
September 19, 2022

September 19, 2022

To the Board of Directors
Jackson County Library District
Medford, OR

We have audited the financial statements of the governmental activities and each major fund of the Jackson County Library District (the District) for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 16, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in *Note 1* to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal 2021. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements were:

- Management's estimate of the accumulated depreciation and related expense is based on management's estimate of the life expectancy of the fixed assets. We evaluated the key factors and assumptions used to develop the accumulated and current year depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the property taxes receivable is based on information obtained from Jackson County Tax Department. We evaluated the key factors and assumptions used to develop the property taxes receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of Restatement of Beginning Net Position and Fund Balance in *Note 2* to the financial statements.
- The disclosure of Assets Held in Trust (endowment) in *Note 5* to the financial statements.
- The disclosure of Capital Contribution in *Note 8* to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- Prior period adjustments related to:
 - Capitalization of library collections
 - Assets Held in Trust (Hulburt Trust)
 - Note Receivable (Lindberg note)
- Capital contribution from Jackson County of buildings and land
- Accrued payroll and compensated absences
- Investment activity related to the Assets Held in Trust (Hulburt Trust)

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 19, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We have provided our comments regarding material weakness in internal control over financial reporting noted during our audit in a separate letter to you dated September 19, 2022.

Other Matters

We applied certain limited procedures to management's discussion and analysis and the general fund combining schedule which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI noted above and do not express an opinion or provide any assurance on management's discussion and analysis and the general fund combining schedule.

We were engaged to report on the required major governmental funds budgetary comparison schedules, as listed in the table of contents, which are also RSI. With respect to this information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Additionally, in connection with our audit, nothing came to our attention that caused us to believe the District was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administration Rules 162-010-0000 through 162-010-0320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as disclosed in *Note 1* of the financial statements.

Restriction on Use

This information is intended solely for the information and use of those charged with governance and management of the District and is not intended to be, and should not be, used by anyone other than these specified parties.

General Comment

During our audit we found the management and staff to be very receptive to our comments and suggestions. They were hard-working, diligent, and conscientious about their assigned responsibilities and duties. They were a pleasure to work with.

Very truly yours,



Aria Bettinger, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, OR
September 19, 2022



JACKSON COUNTY LIBRARY DISTRICT

205 S. Central Ave.
Medford, OR 97501

September 21, 2022

Oregon Secretary of State Audits Division
255 Capitol St. NE, Suite #500 Salem, OR
97310

Plan of Action for Jackson County Library District

Jackson County Library District respectfully submits the following corrective action plan in response to deficiencies reported in our audit of fiscal year ended June 30, 2021. The audit was completed by the independent auditing firm KDP Certified Public Accountants, LLP who reported the deficiencies listed below. The plan of action was adopted by the governing body at their meeting on September 21, 2022, as indicated by signatures below.

The deficiencies are listed below, including the adopted plan of action and timeframe for each.

Deficiency #1: Material Weakness in Internal Control

A significant audit adjustment is a proposed correction to the financial statements that, in our judgment, may not have been detected except through our auditing procedures. We proposed significant adjustments to the current and prior period related to a number of accounts. The existence of such material adjustments indicates that the District’s system of controls did not detect and prevent such errors. Management should examine the adjustments required as a result of our audit and assess the cost-benefit of improving the internal control system to prevent the adjustments in the future. Management should address inherent limitations in the internal control system and modify their oversight function accordingly. Management will review the adjustments provided by the auditors to prevent adjustments in the future.

Plan of Action

In response to the deficiency listed above, the District will create a year-end review checklist that the Finance Manager will be responsible for. This checklist will help ensure that all items have been addressed prior to closing the books and sending financial information to the auditor. In addition, the Library Director and Finance Committee will review a copy of the financial statements after the checklist has been completed. This process will provide the District with a system of checks and balances to identify any issues that have yet to be addressed.

Date of Implementation

The plan of action will be created and implemented by December 31, 2022. The District will be implementing this new plan on the fiscal year ended June 30, 2022 audit.

JCLD Board Chair, print name

Signature

Library Director, print name

Signature

Recording Secretary and title

Signature

**JACKSON COUNTY LIBRARY DISTRICT
LIBRARY DIRECTOR
EMPLOYMENT AGREEMENT**

THIS AGREEMENT made and entered into on dates set forth below by and between JACKSON COUNTY LIBRARY DISTRICT, a special district in the State of Oregon that provides library services to the community, (“District”), and Kari May (“Library Director”).

RECITALS

- A. District desires to employ Library Director to be directly responsible for all day-to-day functions of the library system and report to the District Board of Directors (“Board”).
- B. District desires to fix the Library Director’s salary, provide certain benefits, establish expectations, and set working conditions.
- C. Library Director desires to accept employment as provided herein.

AGREEMENT

In consideration of the mutual covenants contained herein, District hereby employs Library Director and Library Director hereby accepts such employment upon the terms and conditions as set forth below.

- 1. Recitals Incorporated:** The recitals are incorporated by reference as if fully set forth herein.
- 2. Duties:** As the chief executive officer of the District, Library Director shall carefully and diligently, in accordance with standards of judgment and discretion reasonably expected, exercise and fulfill those powers, duties and responsibilities set forth in the Library Director’s Job Description, attached hereto as Exhibit A, and to perform such other legally permissible and proper duties and functions as the Board shall from time to time assign. In Library Director’s performance, Library Director shall give due attention and recognition to all District rules, regulations and policies and shall see to the conduct of affairs of the District in accordance with state, federal and other laws, rules and regulations. Library Director shall maintain any records pertinent to performance of Library Director’s duties in such a manner as to clearly document Library Director’s performance. Library Director is required to attend all regular meetings of the Board and is permitted to participate in any discussions.
- 3. Work Hours:** Library Director’s work schedule shall be appropriate to the needs of the District and shall allow Library Director to faithfully perform Library Director’s assigned duties and responsibilities. Library Director is a full-time salaried position, exempt from minimum wage and overtime requirements. It is recognized that Library Director must devote a great deal of time outside normal working hours on District Business.

4. Place of Work: Library Director's office and primary place of work shall be an office located in the Medford Library at 205 S Central Avenue, Medford, Jackson County, Oregon. The parties anticipate that the Library Director will regularly travel to other District facilities within the District's boundaries.

5. Effective Date and Duration: The term of this Agreement shall commence on July 1, 2020 and continue through June 30, 2022. This Agreement shall renew automatically for subsequent one (1) year terms, with the first of such renewal terms to commence on July 1, 2022, unless terminated or renewed prior to that date.

6. Exclusive Employment and Outside Activities: Library Director shall be devoted full time to the performance of Library Director's duties under this Agreement. Library Director agrees to remain in the exclusive employment of District until employment is terminated as provided for in this Agreement. The employment provided for by the Agreement shall be Library Director's primary employment. Upon advance notice to the Board President, Library Director may elect to participate in outside activities, including but not limited to teaching, writing, or consulting activities, with the understanding that such activities must neither interfere with nor constitute a conflict of interest with Library Director's responsibilities under this Agreement.

7. Compensation

7.1 Salary: The District agrees to pay the Library Director for services rendered pursuant hereto an annual base salary of One Hundred Twenty-Five Thousand dollars (\$125,000.00), payable in equal installments on the regular payday, established by the District in accordance with ORS 652.120, with payroll deductions. Any cost of living increase granted to other employees of the District who are exempt from overtime and minimum wage requirements (hereinafter "exempt employees") shall be granted to Library Director at the same time as it is granted to other exempt employees.

7.2 Benefits

7.2.1 Employee Benefits: Except as noted in this Agreement, District agrees to extend to Library Director the same benefits offered to other exempt employees as outlined in the Employee Handbook, which is incorporated herein by this reference. Benefits provided to Library Director but not detailed herein include sick leave, paid holidays, mileage, travel reimbursements, etc.

7.2.2 Vacation: "Contract Year" for purposes of this section shall mean July 1 to June 30. Library Director shall accrue paid vacation benefits at the rate of one hundred sixty (160) hours per Contract Year. An initial one hundred sixty (160) hours of vacation benefits shall be credited to Library Director's account upon the effective date of this Agreement. Additional vacation hours will accrue on a monthly basis starting on the effective date of this Agreement. Library Director may carry up to one hundred twenty (120) unused vacation hours into the following Contract Year. A maximum of two hundred eighty (280) vacation hours may be utilized in any one Contract Year. Otherwise accrued but unused vacation hours shall not carry over into subsequent Contract Years. Accrued but unused vacation hours shall not be compensated, except in the event employment is

terminated as provided for in this Agreement, at which time the balance would be paid out as outlined in section 14.

8. Defining Library Director Objectives: The Board and Library Director shall define such mutual District goals and Library Director performance objectives which they determine necessary for the proper operation of the District and attainment of the District's strategic objectives. The parties shall further establish a relative priority among those goals and objectives. The goals and objectives shall be drafted by the Library Director and approved by the Board. The Library Director will provide a report on progress toward addressing the goals and objectives as requested by the Board. The Board and Library Director shall meet at least once per year to define and modify the goals and objectives.

9. Evaluation: The Board shall review and evaluate Library Director's performance at least annually at a time and place determined by the Board. The evaluation criterion and methods shall be mutually agreed to by District and Library Director. If warranted, and at the District's sole discretion, the District may increase the Library Director's compensation based upon the results of the annual performance evaluation. Any increase in compensation during the term of this Agreement shall be approved by the Board in an open meeting before payment is made to Library Director. The final results of the evaluation shall be reduced to writing, reviewed and approved by the Board, and provided to the Library Director. Library Director shall be provided an adequate opportunity to discuss the evaluation with the Board within thirty (30) days of completion of the review. A copy of the completed, signed evaluation will be maintained in the Library Director's personnel file.

10. Ownership of Work Product; License: All work products of Library Director that result from Library Director's employment under this Agreement are the exclusive property of the District. In addition, if any of the work products contain intellectual property of Library Director that is or could be protected by federal copyright, patent, or trademark laws, or state trade secret laws, Library Director hereby grants District a perpetual, royalty-free, fully paid-up, nonexclusive and irrevocable license to copy, reproduce, deliver, publish, perform, dispose of, use and re-use, in whole or in part, and to authorize others to do so, all such work products.

11. Other Terms and Policies: In the event of a discrepancy between the District's generally applicable standards or personnel policies and a provision of this Agreement, this Agreement shall control.

12. Termination, Severance Pay, and Resignation

12.1.1 Termination without Cause: District may terminate this Agreement without cause. If District decides to terminate this Agreement without cause, the District may elect at its sole discretion to either (1) place Library Director on administrative leave with pay for three months after the date Library Director is placed on administrative leave or (2) pay Library Director three months' salary in a lump sum at the time of termination of employment. The severance pay amount provided under this section shall increase by one (1) month for each Year of Service Library Director has completed with District, up to a maximum of nine (9) months' worth of pay. "Year

of Service” for purposes of this section shall mean July 1 to June 30. District agrees to provide and pay for medical insurance benefits during the period that Library Director is on paid administrative leave and for the number of months covered by the severance payment. Payment under this section shall be Library Director’s sole remedy for termination without cause and Library Director shall be entitled to no other compensation.

12.1.2 Request for Resignation: At its sole discretion, and upon approval by a majority of the Board, the District may request in writing that Library Director resign in lieu of dismissal. Upon such written request, the Library Director may elect in writing to resign in lieu of dismissal. The District’s written request and Library Director’s written resignation under this Section 12.1.2 shall be deemed termination without cause as provided in Section 12.1.1.

12.1.3 Release Required: As a condition of the District’s payment under this Section 12.1, Library Director will be required to release the District, its officers, representatives, insurers, and employees from claims arising from employment with the District and separation of employment.

12.2 Termination for Cause: District may immediately terminate this Agreement for cause at any time upon written notice to Library Director. Cause is defined for purposes of this section as: (1) repeated or gross negligence or willful misconduct by Library Director in performance of Library Director’s employment duties; (2) a willful refusal by Library Director to perform Library Director’s employment duties; (3) commission by Library Director of a felony or act of moral turpitude; or (4) any unexcused absence by Library Director from Library Director’s employment duties for a period of five consecutive days. District’s total obligation to Library Director under this section shall be limited to all earned salary, reported reimbursable expenses, and unused paid vacation hours accrued to the date of termination.

12.3 Further Acts upon Notice of Administrative Leave or Termination: Upon receiving a notice of administrative leave or termination, Library Director shall immediately cease all activities under this Agreement, unless expressly directed otherwise by District. Further, upon District’s request, Library Director shall deliver to District all documents, information, works-in-progress, and other property related to Library Director’s employment with the District.

12.4 Resignation: Nothing in this Agreement shall limit the right of the Library Director to resign her position with the District, provided that in such event, Library Director provides the District written notification of resignation a minimum of thirty (30) days in advance of its effective date. Library Director shall be entitled to all earned salary, expense reimbursements, and unused paid vacation hours accrued to date of termination. Library Director shall not be entitled to severance payment or paid administrative leave upon resignation except as otherwise provided in Section 12.1.2.

13. Indemnification and Settlement Approval

13.1 The District shall hold harmless, indemnify, and defend Library Director from claims, suits, and actions arising in the course of employment as provided under the Oregon Tort Claims Act (ORS 30.260-300), and the District shall fully comply with such legal requirements are applicable

at the time of any demand by Library Director for indemnity or defense thereunder. Notwithstanding the foregoing, Library Director shall not be entitled to indemnification for claims related to: (1) any breach of Library Director's duty of loyalty to the District; (2) acts or omissions not in good faith or involving gross negligence, intentional misconduct, or a knowing violation of the law; or (3) any transaction from which Library Director derived an improper personal benefit. Library Director shall have no liability to the District as a result of Library Director's conduct or actions occurring within the ordinary course and scope of Library Director's duties under this Agreement.

13.2 Library Director may request, and District shall not unreasonably refuse to provide or withhold approval of, independent legal counsel at the District's expense for any claim subject to this section. Legal representation shall extend until final determination of the claim, including any appeals.

13.3 Any settlement or compromise of any claim by Library Director shall be made with prior approval of District in order for indemnification, as provided in this section, to be available to Library Director. Library Director recognizes that District has the right to compromise and settle any dispute, unless the settlement or compromise would result in judgment or order which personally binds Library Director, in which case Library Director shall have a veto authority over the settlement or compromise.

14. Other Terms and Conditions of Employment: District shall fix any other terms and conditions of employment, as it may determine from time to time, relating to the performance of Library Director, provided such terms and conditions are not inconsistent with or in conflict with the provisions of this Agreement or any other law.

15. Dispute Resolution: In the event of any dispute or material disagreement relating to the interpretation or enforcement of this Agreement, alleged breach of this Agreement, the employment relationship (including any wage claim, claim for wrongful termination, or any claim based upon any statute, regulation, or law, including those dealing with employment discrimination, sexual harassment, civil rights, age, or disabilities), including tort claims (except a tort that is a compensable injury under Workers' Compensation law), the parties shall promptly meet, in executive session in accordance with law, to discuss, negotiate and, so far as is possible and practical, attempt to resolve such disputes or disagreements. In the event of any legal dispute that the parties have been unable to resolve informally, the District and Library Director agree that the matter shall be resolved in final and binding arbitration in accordance with the then effective arbitration rules of the Arbitration Service of Portland. A copy of the rules can be obtained at www.arbserve.com. Judgment upon the award rendered pursuant to such arbitration may be entered in any court having jurisdiction thereof.

16. No Third-Party Beneficiaries: Nothing in this Agreement gives, is intended to give, or shall be construed to give or provide, any benefit or right, whether directly, indirectly or otherwise, to third persons unless such third persons are individually identified by name herein and expressly described as intended beneficiaries of the terms of this Agreement.

17. Entire Agreement: This Agreement sets forth the entire understanding of the parties. Except as otherwise provided herein, this Agreement supersedes any and all prior negotiations, discussions, agreements, and understandings between the parties.

18. Amendment: This Agreement may not be modified, altered, or changed except upon express written consent of all parties, wherein specific reference is made to this Agreement.

19. Severability: If any provision of this Agreement shall be invalid or unenforceable, the remaining provisions thereof shall continue to be fully effective.

20. Non-Waiver: A provision of this Agreement may be waived only by a written instrument executed by the party waiving compliance. Failure to enforce any provision of this Agreement shall not operate as a waiver of such provision or any other provision. Waiver by any party of strict performance of any provision of this Agreement shall not be a waiver of or prejudice any party's right to require strict performance of the same provision in the future or of any other provision. No waiver of any provision of this Agreement shall constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver.

21. Venue, Governing Law, and Interpretation: This Agreement has been executed and delivered in the State of Oregon and the laws of such state shall govern the validity, construction, enforcement, and interpretation of this Agreement without regard to its conflict of laws provision. Exclusive jurisdiction for any dispute concerning this Agreement shall be in Jackson County, Oregon.

22. Attorney Fees: If a suit, action, arbitration, or other proceeding of any nature whatsoever is instituted or if the services of an attorney are retained to enforce any provision of this Agreement, or with respect to any dispute relating to this Agreement, the prevailing party will be entitled to recover from the losing party its attorneys' fees, paralegal fees, accountant fees, and other expert fees, as well as other fees, costs, and expenses actually incurred in connection therewith. In the event of a suit, an action, an arbitration, or other proceeding, the amount of fees will be determined by the judge or arbitrator, will include fees and expenses incurred on any appeal or review, and will be in addition to all other amounts provided by law.

23. Legal Representation Acknowledgements: The parties acknowledge that they have read this Agreement, that they have been provided an opportunity to have it fully explained to them by counsel of their own choice, and that they are fully aware of the contents of this Agreement and of its legal effect. The rule of construction that a written agreement is construed against the party preparing or drafting such agreement shall specifically not be applicable in the interpretation of this Agreement or any documents executed or delivered under this Agreement.

24. Execution and Counterparts: This Agreement may be executed in counterparts, each of which shall be an original, all of which shall constitute but one and the same instrument.