

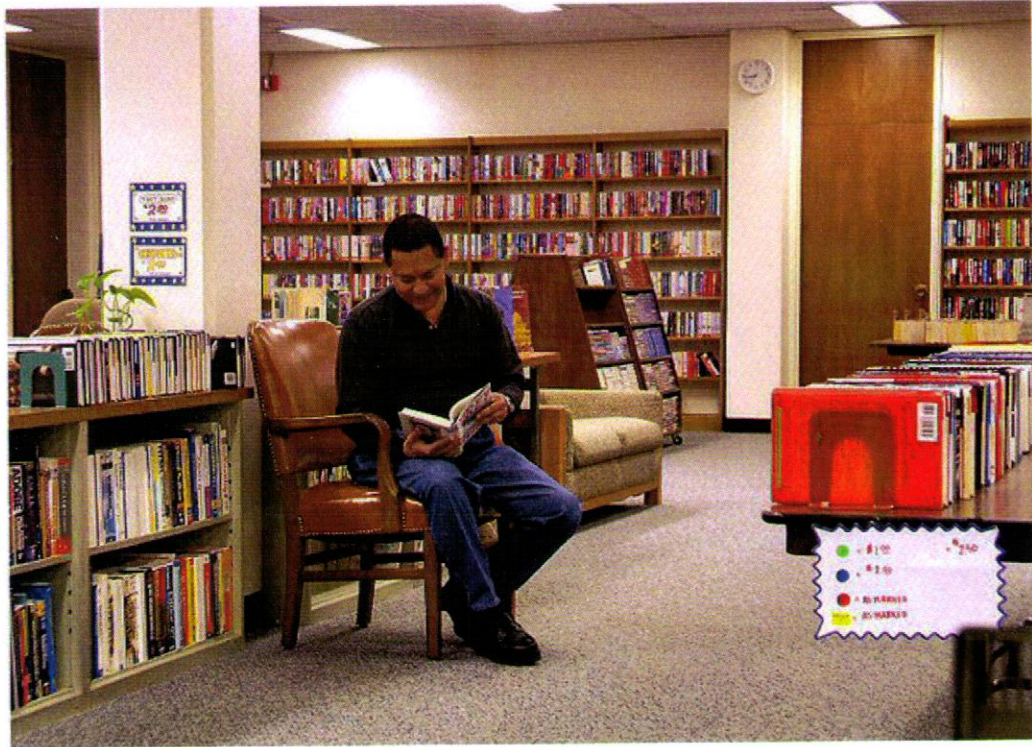


Buena Park Library District

Financial Statements

For the Fiscal Year Ended June 30, 2015





**Buena Park Library District
Board of Trustees as of June 30, 2015**

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Mary Fuhrman	President	Elected	12/14 - 12/18
Dennis Salts	Secretary	Elected	12/12 - 12/16
Al Salehi	Trustee	Elected	12/14 - 12/18
Patricia Ganer	Trustee	Elected	12/12 - 12/16
Irene Castaneda	Trustee	Elected	12/12 - 12/16

**Mary McCasland, Library Director
Buena Park Library District
7150 La Palma Avenue
Buena Park, California 90620
(714) 826-4100 www.buenapark.lib.ca.us**

**Buena Park Library District
Financial Statements
For the Fiscal Year Ended June 30, 2015**

Table of Contents

	<u>Page No.</u>
Table of Contents	i
Financial Section	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Reconciliation of the Balance Sheet of Governmental Type Funds to the Statement of Net Position	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Type Funds to the Statement of Activities	10
Notes to the Basic Financial Statements	11-30
Required Supplementary Information Section	
Budgetary Comparison Schedule – General Fund	31
Notes to Required Supplementary Information	31
Schedule of the District's Proportionate Share of the Net Pension Liability	32
Schedule of Pension Plan Contributions	33
Schedule of Funding Status	34
Report on Internal Controls and Compliance	
Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing</i>	35-36



Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Jonathan P. Abadesco, CPA

Fedak & Brown LLP

Certified Public Accountants

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
4204 Riverwalk Pkwy. Ste. 390
Riverside, California 92505
(951) 977-9888

Independent Auditor's Report

Board of Library Trustees
Buena Park Library District
Buena Park, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Buena Park Library District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Buena Park Library District as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and the required supplementary information on pages 31 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Summarized Comparative Information

We have previously audited the Buena Park Library District's June 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Prior Period Restatement

As part of our audit of the June 30, 2015, financial statements, we also audited the adjustments described in Note 9. An adjustment was applied to restate the June 30, 2014, financial statements. In addition, the District recognized its proportionate share of net pension liability; and reclassified its proportionate share of employer pension contributions from expense to deferred outflows of resources and recorded a prior period adjustment to restate the beginning net position as of July 1, 2014. In our opinion, such adjustments are appropriate and have been properly applied.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 3, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. That report can be found on pages 35 and 36.

FEDAK'S BROWN LLP

Fedak & Brown LLP
Cypress, California
November 3, 2015

Buena Park Library District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

As management of the Buena Park Library District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities and performance of the District for the fiscal year ended June 30, 2015. Please read it in conjunction with additional information that we have furnished in the accompanying basic financial statements, which follow this section.

Financial Highlights

- The District's net position decreased 12.0% or \$713,743 from \$5,932,954 to \$5,219,211, in 2015, due to an \$808,650 increase from continued operations that was offset by a \$1,522,393 prior period adjustment related to the implementation of GASB 68 and 71. See note 7 for further discussion.
- Total revenues from all sources increased by 15.6% or \$421,162 from the prior year primarily due to an increase in property tax revenue of \$468,752.
- Total expenses increased 14.8% or \$298,357 from the prior year primarily due to an increase in salaries and benefits of \$250,213 and an increase in materials and services of \$59,647, offset by a decrease in depreciation expense of \$20,448.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's investments in resources (assets) and deferred outflows of resources and the obligations to creditors (liabilities) and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's net reserves and credit worthiness.

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. Think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors however, such as changes in the District's property tax base and the types of grants the District applies for to assess the *overall health* of the District.

Buena Park Library District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2015

Governmental Funds Financial Statements

Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 11 through 30.

Condensed Statements of Net Position

	<u>2015</u>	<u>As Restated 2014</u>	<u>Change</u>
Assets:			
Current assets	\$ 6,069,023	5,260,255	808,768
Non-current assets	33,349	9,232	24,117
Capital assets, net	832,350	917,878	(85,528)
Total assets	<u>6,934,722</u>	<u>6,187,365</u>	<u>747,357</u>
Deferred outflows of resources	109,773	-	109,773
Total deferred outflows of resources	<u>109,773</u>	<u>-</u>	<u>109,773</u>
Liabilities:			
Current liabilities	176,233	254,411	(78,178)
Non-current liabilities	1,224,525	-	-
Total liabilities	<u>1,400,758</u>	<u>254,411</u>	<u>(78,178)</u>
Deferred inflows of resources	424,526	-	424,526
Total deferred inflows of resources	<u>424,526</u>	<u>-</u>	<u>424,526</u>
Net position:			
Net investment in capital assets	832,350	917,878	(85,528)
Unrestricted	4,386,861	5,015,076	(628,215)
Total net position	<u>\$ 5,219,211</u>	<u>5,932,954</u>	<u>(713,743)</u>

Buena Park Library District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2015

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$5,219,211 as of June 30, 2015.

A portion of the District's net position (15.9%) reflects its investment in capital assets (net of accumulated depreciation); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to operate the library; consequently, these assets are *not* available for future spending.

At the end of fiscal year 2015, the District shows a positive balance in its unrestricted net position of \$4,386,861 that may be utilized in future years.

Condensed Statements of Activities

<i>Governmental Activities:</i>	<u>2015</u>	<u>As Restated 2014</u>	<u>Change</u>
Expenses:			
Library operations	\$ 2,312,773	2,014,416	298,357
Program revenues	367,255	410,995	(43,740)
General revenues	2,754,168	2,289,266	464,902
Total revenues	<u>3,121,423</u>	<u>2,700,261</u>	<u>421,162</u>
Change in net position	<u>808,650</u>	<u>685,845</u>	<u>122,805</u>
Net position – beginning of period	5,932,954	5,247,109	685,845
Prior period adjustment	<u>(1,522,393)</u>	<u>-</u>	<u>-</u>
Net position – beginning, as restated	<u>4,410,561</u>	<u>5,247,109</u>	<u>685,845</u>
Net position – end of period	<u>\$ 5,219,211</u>	<u>5,932,954</u>	<u>(713,743)</u>

The statement of activities shows how the government's net position changes during the fiscal year. In the case of the District, net position increased by \$713,743 during the fiscal year ended June 30, 2015, due to an \$808,650 increase from continued operations that was offset by a \$1,522,393 prior period adjustment related to the implementation of GASB 68 and 71. See note 7 for further discussion.

Governmental Funds Financial Analysis

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

As of June 30, 2015, the District's General Fund reported a fund balance of \$5,930,254. An amount of \$5,843,596 constitutes the District's *unassigned fund balance*, which is available for spending or designation at the District's discretion.

Buena Park Library District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2015

General Fund Budgetary Highlights

The actual expenditures at year end were \$354,581 less than budgeted. The variance is primarily due to the net effect of actual salary and benefits of \$143,513 less than budget; materials and services of \$74,440 less than budget, facilities of \$25,594 less than budget; and capital outlay being \$111,034 less than budget. Actual revenues were less than the anticipated budget by \$21,245, primarily due to less than budgeted charges for services and property tax revenue. The General Fund budget to actual comparison schedule can be found on page 31.

Capital Asset Administration

At the end of fiscal year 2015, the District's investment in capital assets amounted to \$832,350 (net of accumulated depreciation). This investment in capital assets includes land, building, building improvements, equipment and furniture. See Note 3 for further information.

Changes in capital assets for the year were as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2015</u>
Capital assets:				
Non-depreciable assets	\$ 186,335	-	-	186,335
Depreciable assets	2,824,273	12,966	-	2,837,239
Accumulated depreciation	(2,092,730)	(98,494)	-	(2,191,224)
Total depreciable assets, net	<u>731,543</u>	<u>(474,206)</u>	<u>-</u>	<u>646,015</u>
Total capital assets, net	<u>\$ 917,878</u>			<u>832,350</u>

Conditions Affecting Current Financial Position

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net position or operating results in terms of past, present and future.

Requests for Information

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the Library Director, Mary McCasland at the Buena Park Library District, 7150 La Palma Ave Buena Park, California or by telephone at (714) 826-4100.

Basic Financial Statements

Buena Park Library District
Statement of Net Position
June 30, 2015

	<u>2015</u>
Assets:	
Cash and cash equivalents (note 2)	\$ 5,990,526
Accrued interest receivable	1,529
Property taxes receivable	27,774
Prepaid expenses and deposits	49,194
Other post-employment benefits asset (note 5)	33,349
Capital assets, net (note 3)	<u>832,350</u>
Total assets	<u>6,934,722</u>
Deferred outflows of resources:	
Deferred pension outflows	<u>109,773</u>
Total deferred outflows of resources	<u>109,773</u>
Liabilities:	
Accounts payable and accrued expenses	138,769
Compensated absences (note 4)	37,464
Net pension liability (note 6)	<u>1,224,525</u>
Total liabilities	<u>1,400,758</u>
Deferred inflows of resources:	
Deferred pension inflows	<u>424,526</u>
Total deferred inflows of resources	<u>424,526</u>
Net position:	
Net investment in capital assets	832,350
Unrestricted (note 7)	<u>4,386,861</u>
Total net position, as restated	<u>\$ 5,219,211</u>

See accompanying notes to the basic financial statements

Buena Park Library District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

<i>Governmental Activities:</i>	<u>2015</u>
Expenses:	
Library operations	
Salaries and benefits	\$ 1,607,813
Materials and services	528,060
Facilities	78,406
Depreciation	98,494
Total expenses	<u>2,312,773</u>
Program revenues:	
Charges for services	340,298
Operating grants and contributions	26,957
Total program revenues	<u>367,255</u>
Net program expense	<u>1,945,518</u>
General revenues:	
Property taxes	2,726,136
Interest earnings	15,512
Other	12,520
Total general revenues	<u>2,754,168</u>
Change in net position	<u>808,650</u>
Net position – beginning of period, as restated	5,932,954
Prior period adjustment (note 9)	<u>(1,522,393)</u>
Net position – beginning, as restated	<u>4,410,561</u>
Net position – end of period	<u><u>\$ 5,219,211</u></u>

See accompanying notes to the basic financial statements

Buena Park Library District
Reconciliation of the Balance Sheet of Governmental
Type Funds to the Statement of Net Position
June 30, 2015

	General Fund	Reclassifications & Eliminations	Statement of Net Position
Assets:			
Cash and cash equivalents	\$ 5,990,526	-	5,990,526
Accrued interest receivable	1,529	-	1,529
Property taxes receivable	27,774	-	27,774
Prepaid expenses and deposits	49,194	-	49,194
Other post-employment benefits asset	-	33,349	33,349
Capital assets, net	-	832,350	832,350
Total assets	6,069,023	865,699	6,934,722
Deferred outflows of resources:			
Deferred pension outflows	-	109,773	109,773
Total deferred outflows of resources	-	109,773	109,773
Total assets	\$ 6,069,023	975,472	7,044,495
Liabilities:			
Accounts payable and accrued expenses	\$ 138,769	-	138,769
Compensated absences	-	37,464	37,464
Net pension liability	-	1,224,525	1,224,525
Total liabilities	138,769	1,261,989	1,400,758
Deferred inflows of resources:			
Deferred pension inflows	-	424,526	424,526
Total deferred inflows of resources	-	424,526	424,526
Fund balance: (note 7)			
Nonspendable	49,194	(49,194)	-
Committed	37,464	(37,464)	-
Unassigned	5,843,596	(5,843,596)	-
Total fund balance	5,930,254	(5,930,254)	-
Total liabilities and fund balance	\$ 6,069,023		
Net position:			
Net investment in capital assets		\$ 832,350	832,350
Unrestricted		4,386,861	4,386,861
Total net position		\$ 5,219,211	5,219,211
Reconciliation:			
Fund balance of governmental funds			\$ 5,930,254
Amounts reported for governmental activities in the statement of net position is different because:			
Non-current assets and deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.			
Capital assets, net			832,350
Deferred pension outflows			109,773
Other post employment benefits obligation			33,349
Long-term liabilities and deferred inflows of resources applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities and deferred inflows of resources, both current and long-term, are reported in the statement of net position.			
Compensated absences			(37,464)
Net pension liability			(1,224,525)
Deferred pension inflows			(424,526)
Net position of governmental activities			\$ 5,219,211

See accompanying notes to the basic financial statements

Buena Park Library District
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Type Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015

	<u>General Fund</u>	<u>Reclassifications & Eliminations</u>	<u>Statement of Activities</u>
Expenditures/Expenses:			
Library operations			
Salaries and benefits	\$ 1,613,038	(5,225)	1,607,813
Materials and services	528,060	-	528,060
Facilities	78,406	-	78,406
Capital outlay	12,966	(12,966)	-
Depreciation	-	98,494	98,494
Total expenditures/expenses	<u>2,232,470</u>	<u>80,303</u>	<u>2,312,773</u>
Program revenues:			
Charges for services	340,298	-	340,298
Operating grants and contributions	26,957	-	26,957
Total program revenues	<u>367,255</u>	<u>-</u>	<u>367,255</u>
Net program expense			<u>1,945,518</u>
General revenues:			
Property taxes	2,726,136	-	2,726,136
Interest earnings	15,512	-	15,512
Other	12,520	-	12,520
Total general revenues	<u>2,754,168</u>	<u>-</u>	<u>2,754,168</u>
Total revenues	<u>3,121,423</u>	<u>-</u>	
Net change in fund balance	888,953	(888,953)	-
Change in net position	-	(808,650)	808,650
Fund balance/Net position – beginning of period, as restated	5,041,301	-	5,932,954
Prior period adjustment	-	1,522,393	(1,522,393)
Net position – beginning, as restated	5,041,301	1,522,393	4,410,561
Fund balance/Net position – end of period	<u>\$ 5,930,254</u>	<u>(255,513)</u>	<u>5,219,211</u>

Reconciliation:

Net changes in fund balance of governmental fund \$ 888,953

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

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenses in governmental funds as follows:

Net change in compensated absences	(2,007)
Net change in other post-employment benefits asset	24,117
Net pension liability	464,997
Deferred pension outflows	
Deferred pension inflows	

In the statement of activities, receipts and disbursements related to pension are amortized against net pension liability and therefore are not reported in the governmental funds as follows:

Deferred pension outflows	(57,356)
Deferred pension inflows	(424,526)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

(85,528)

Change in net position of governmental activities \$ 808,650

See accompanying notes to the basic financial statements

Buena Park Library District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Buena Park Library District (District) was organized in 1919 under the Education Code of California, Section 19600-19734. The District is a public library providing free services to the community and is governed by an elected, independent Board of Trustees. The District makes every effort to maximize services provided to the community as taxpayers of the District. Basic library services are always provided free of charge and costs of selected peripheral programs are held to a minimum. Materials and services are prioritized based on the needs of the Buena Park community. Competently trained library professionals are employed to bring people and the resources of the library together.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 14 and 39 (an amendment of No. 14). The District is the primary governmental unit based on the foundation of a separately elected governing board. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The Volunteer Guild of the Buena Park Library (Guild) was incorporated on January 22, 2001. The Guild is a California nonprofit public benefit corporation formed to maintain an association of persons committed to the enrichment of the community by raising funds to assist the Buena Park Library in acquiring material and equipment, completing projects or presenting public programs. The Guild operates the District's used book store and solicits donations and grants for the District. Although the Guild is legally separate, it is included as a blended component unit of the District, as it is in substance part of the District's operations.

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of the District are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the District are to be reported in three categories, if applicable: 1) charges for services, 2) operating grants and contributions, and, 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items properly not included among program revenues are reported instead as general revenues.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2015

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

Governmental Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the differences in net position in these statements of net position presented in the Government-wide Financial Statements. The District has presented its General Fund, as its major fund, in this statement to meet the qualifications of GASB Statement No. 34.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the district are property tax, a voter approved per parcel tax, interest earnings, investment revenue and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

The District reports the following major governmental fund:

General Fund – is a government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund when necessary.

C. Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In June 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27*, effective for financial statements for fiscal years beginning after June 15, 2014. The District implemented this new pronouncement in the current year. The purpose of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

In January 2013, the GASB issued Statement No. 69 – *Government Combinations and Disposals of Government Operations*, effective for financial statements for periods beginning after December 15, 2013. The District implemented this new pronouncement in the current year. At June 30, 2015, there was no effect of the implementation of this statement to the District.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2015

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

In November 2013, the GASB issued Statement No. 71 – *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The District implemented this new pronouncement in the current year. The effect of the implementation of this statement to the District is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

1. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months to be cash equivalents.

3. Investments and Investment Policy

The District has adopted an investment policy to deposit funds in financial institutions. Investments are to be made in the following areas:

- Orange County Investment Pool
- Checking and savings accounts at local financial institutions

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

4. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

5. Property Taxes

Property taxes attach an enforceable lien on property as of January 1, each year. Secured property taxes are levied on July 1 and are payable in two installments, on December 10 and April 10. The County of Orange Assessor's Office assesses all real and personal property within the County each year. The County of Orange Tax Collector's Office bills and collects the District's share of property taxes. The County of Orange Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2015

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

5. Property Taxes, continued

Property taxes and special assessments receivable at year-end are related to property taxes collected by the County of Orange, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and February 1
Collection dates	December 10 and April 10

6. Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets are land, building, building improvements, equipment and furniture and fixtures. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the District's capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Building – 50 years
- Building improvements – 20 years
- Equipment – 5 years
- Furniture and fixtures – 7 years

7. Deferred Outflows of Resources

Deferred outflows of resources include the District's pension contribution made during the fiscal year; and the variance between the District's proportionate share of aggregate contribution and actual contributions made.

8. Compensated Absences

It is the District's policy to allow vacation pay of between ten (10) and twenty (20) working days per year of employment. Vacation time may be accumulated from year to year. Employees are allowed to accumulate and carry forward a maximum of two hundred (200) hours at the end of each year. Sick leave is granted at a rate of 12 days per calendar year and may be used for sickness, injury or disability. Sick leave may be accumulated beyond the year in which it is earned.

9. Deferred Inflows of Resources

Deferred inflows of resources include the difference between the District's share of projected earnings and actual earnings on pension plan investments maintained by CalPERS.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2015

(1) **Reporting Entity and Summary of Significant Accounting Policies, continued**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

10. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Net Position

The financial statements utilize a net position presentation. Net Position is categorized as follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted Net Position** – This component of net position consists of constraints placed on assets reduced by liabilities used through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of restricted or net investment in capital assets.

12. Fund Balance

The financial statements, governmental funds, report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- **Nonspendable fund balance** – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.
- **Committed fund balance** – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Trustees) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the District's special revenue funds.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2015

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position, continued

12. Fund Balance, continued

- **Unassigned fund balance** – the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the District’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, consist of the following:

		<u>2015</u>
Petty cash	\$	100
Deposits held with financial institutions		2,260,888
Deposits held with Orange County Investment Pool (OCIP)		<u>3,729,538</u>
Total	\$	<u>5,990,526</u>

As of June 30, the District’s authorized deposits had the following maturities:

	<u>2015</u>
Deposits held with Orange County Investment Pool	391

Authorized Deposits and Investments

Under provisions of the District’s investment policy, and in accordance with Section 53601 of the California Government Code, the District may invest in certain types of investments as listed in Note 1(D)(3) to the financial statements.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2015

(2) Cash and Cash Equivalents, continued

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balance, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Cash with Orange County Investment Pool

The Orange County Investment Pool (OCIP) is a pooled investment fund program governed by the County of Orange Board of Supervisors, and administered by the County of Orange Treasurer and Tax Collector. Investments in the Pool are highly liquid as deposits and withdrawals can be made at anytime without penalty. The Pool does not impose a maximum investment limit. Information regarding derivative securities or similar products held by the Pool is not available. Also, the Pool's and the District's exposure to credit, market or legal risk is not available.

The County of Oranges' bank deposits are either federally insured or collateralized in accordance with the California Government Code. Pool detail is included on the County of Oranges' website at <http://ttc.ocgov.com>.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2015, the District's investment in the OCIP was rated by Standard & Poor's as AAAM.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2015

(3) Capital Assets

Changes in capital assets for the year were as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2015</u>
Non-depreciable assets:				
Land	\$ 186,335	-	-	186,335
Total non-depreciable assets	<u>186,335</u>	<u>-</u>	<u>-</u>	<u>186,335</u>
Depreciable assets:				
Building	891,592	-	-	891,592
Building improvements	1,519,350	-	-	1,519,350
Equipment	334,221	12,966	-	347,187
Furniture and fixtures	79,110	-	-	79,110
Total depreciable assets	<u>2,824,273</u>	<u>12,966</u>	<u>-</u>	<u>2,837,239</u>
Accumulated depreciation:				
Building	(847,013)	(17,832)	-	(864,845)
Building improvements	(950,619)	(44,665)	-	(995,284)
Equipment	(259,673)	(34,273)	-	(293,946)
Furniture and fixtures	(35,425)	(1,724)	-	(37,149)
Total accumulated depreciation	<u>(2,092,730)</u>	<u>(98,494)</u>	<u>-</u>	<u>(2,191,224)</u>
Total depreciable assets, net	<u>731,543</u>	<u>(85,528)</u>	<u>-</u>	<u>646,015</u>
Total capital assets, net	<u>\$ 917,878</u>			<u>832,350</u>

(4) Compensated Absences

Compensated absences comprise unpaid vacation leave which is accrued as earned. The District's liability for compensated absences is determined annually.

The changes to compensated absences balances were as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2015</u>
\$	<u>35,457</u>	<u>48,612</u>	<u>(46,605)</u>	<u>37,464</u>

(5) Other Post-Employment Benefits Payable

Plan Description – Eligibility

The District pays a portion of the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the District.

Membership in the OPEB plan consisted of the following members as of June 30:

	<u>2015</u>
Active plan members	18
Retirees and beneficiaries receiving benefits	13
Separated plan members entitled to but not yet receiving benefits	-
Total plan membership	<u>31</u>

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2015

(5) Other Post-Employment Benefits Payable, continued

Plan Description – Benefits

The District offers post employment medical benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the District's CalPERS medical. The contribution requirements of Plan members and the District are established and may be amended by the District's Board of Trustees.

Funding Policy

The District is required to contribute the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each fiscal year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty years. The current ARC rate is 15.74% of the annual covered payroll.

The District will pay 100% of the cost of the post-employment benefit plan. The District funds the plan on a pay-as-you-go basis and maintains reserves (and records a liability) for the difference between pay-as-you-go and the actuarially determined ARC cost.

Annual OPEB Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2015, the District's ARC cost is \$150,918. The District's net OPEB asset amounted to \$33,349 as of June 30, 2015. The District contributed \$100,000 to the irrevocable trust and \$75,260 on behalf of retirees for the fiscal year ended June 30, 2015.

The balance at June 30, consists of the following:	2015
Annual OPEB expense:	
Annual required contribution (ARC)	\$ 150,918
Interest on net OPEB obligation	(646)
Adjustment to annual required contribution	871
Total annual OPEB expense	151,143
Contributions (to)/from trust:	
Payments on behalf of retirees	(75,260)
Contributions made to irrevocable trust	(100,000)
Total change in net OPEB payable(asset) obligation	(24,117)
OPEB liability(asset) - beginning of year	(9,232)
OPEB liability(asset) - end of year	\$ (33,349)

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2015 and the two preceding fiscal years were as follows:

<i>Three-Year History of Net OPEB (Asset) Obligation</i>				
Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset) Payable
2015	\$ 151,143	175,260	116.00%	\$ (33,349)
2014	146,561	176,187	120.20%	(9,232)
2013	178,006	177,474	100.30%	20,394

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2015

(5) Other Post-Employment Benefits Payable, continued

Annual OPEB Cost and Net OPEB Obligation, continued

The most recent valuation (dated July 1, 2015) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$1,145,392. Plan assets of \$864,749 were held in an irrevocable trust. The covered payroll (annual payroll of active employees covered by the plan) for the fiscal year ended June 30, 2015 was \$958,620. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 119.5%.

See Page 34 for the Schedule of Funding Status.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions, continued

The following is a summary of the actuarial assumptions and methods:

Valuation date	July 1, 2015
Actuarial funding method	Entry age normal cost, level percent of pay
Asset valuation method	Market value of assets
Actuarial assumptions:	
Discount rate	7.28%
Mortality	CalPERS post-retirement rates for healthy male and female
Health cost trend rate	8.00% at 2016 decreasing 0.5% per year until 2023 4.50% at 2023 - 2024 4.64% at 2025 and later

(6) Defined Benefit Pension Plan

A. General Information about the Pension Plans

1. Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2015

(6) Defined Benefit Pension Plan, continued

A. General Information about the Pension Plans, continued

2. Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2015, are summarized as follows:

	<u>Miscellaneous</u>
Hire date	Prior to January 1, 2013
Benefit formula	2.0% @ 55
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50 - 55
Monthly benefits, as a percentage of eligible compensation	2.0% to 2.7%
Required employee contribution rates	8%
Required employer contribution rates	6%

3. Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1, following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for the Plan was as follows:

	<u>Miscellaneous</u>
Contributions - employer	\$ 73,112
Contributions - employee (paid by employer)	2,772
Total employer paid contributions	\$ 75,884

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2015

(6) Defined Benefit Pension Plan, continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2015, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ <u>1,224,525</u>

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014 (the measurement date), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 (the valuation date), rolled forward to June 30, 2014, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of the measurement date June 30, 2014, was as follows:

	Miscellaneous
Proportion - June 30, 2014	<u>0.019868%</u>

For the year ended June 30, 2015, the District recognized pension expense of \$89,997. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 73,112	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	36,661	-
Net difference between projected and actual earnings on plan investments	-	(424,526)
Total	\$ 109,773	(424,526)

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2015

(6) Defined Benefit Pension Plan, continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, continued

\$73,112 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Net Deferred</u> <u>Inflow</u>
2016	\$ 93,038
2017	93,038
2018	95,656
2019	106,133

1. Actuarial Assumptions

The total pension liabilities in the June 30, 2013, actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68

Actuarial Assumptions:

Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expense; includes inflation
Mortality*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013, valuation were based on the results of a January 2014, actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2015

(6) Defined Benefit Pension Plan, continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, continued

2. Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference. CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2015

(6) Defined Benefit Pension Plan, continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, continued

2. Discount Rate, continued

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 -10(a)</u>	<u>Real Return Years 11+(b)</u>
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	<u>100.00%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

3. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

<u>Description</u>	<u>Discount Rate -1% @ 6.50%</u>	<u>Current Discount Rate @ 7.50%</u>	<u>Discount Rate +1% @ 8.50%</u>
Net Pension Liability	\$ <u>2,206,887</u>	<u>1,224,525</u>	<u>409,258</u>

4. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2015

(9) Restatement of Net Position, continued

Previously recorded net position of \$6,084,044 has been restated to \$5,932,954 as of June 30, 2014. In addition, the effect of the implementation of GASB 68 is recorded as an adjustment to the beginning net position at June 30, 2015. The effect of the above changes is summarized as follows:

The adjustment to net position is as follows:

Net position at June 30, 2013, as previously stated	\$ 5,247,109
Effect of adjustment to other post-employment benefits payable	(151,090)
Change in net position at June 30, 2014 as previously stated	836,935
Net position at June 30, 2014, as restated	5,932,954
Effect of adjustment to record net pension liability	(1,689,522)
Effect of adjustment to record deferred pension outflows	167,129
Net position – beginning, as restated at July 1, 2014	\$ 4,410,561

(10) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District, as a member of the Special District Risk Management Authority (SDRMA), has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources. SDRMA's purpose is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2015, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions, employee benefits and employment practices liability: Total risk financing limits of \$2.5 million, combined single limit at \$2.5 million per occurrence, subject to the following deductibles – \$500/\$1,000 per occurrence for third party general liability property damage – 50% co-insurance of cost expended by SDRMA, in excess of \$10,000 up to \$50,000, per occurrence, for employment related claims. However, 100% of the obligation will be waived if certain criteria are met.
- Uninsured / Underinsured Motorists coverage up to \$750,000 per accident.
- Employee dishonesty coverage up to \$400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$1.0 billion per occurrence, subject to a \$2,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverage, deductible of \$500 per claim.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2015

(10) Risk Management, continued

- Workers compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California Law. Employer's liability per occurrence for workers compensation coverage is \$5 million, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverage.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2015, 2014 and 2013. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There was no IBNR claims payable as of June 30, 2015.

(11) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2015, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 72

In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*. The objective of this Statement is to enhance comparability of financial statements among governments by measurement of certain assets and liabilities at their fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The definition of *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. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 73

In June 2015, the GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the Scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans as pensions that are within their respective scopes.

The requirements of this statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after December 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2015

(11) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 74

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No.50, *Pension Disclosures*.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2016. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 75

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 76

In June 2015, the GASB issued Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the source of authoritative GAAP.

This Statement replaces the requirements of Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015, and should be applied retroactively.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2015

(11) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 77

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. This Statement is effective for financial statements for periods beginning after December 15, 2015. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

(12) Contingencies

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(13) Subsequent Events

Events occurring after June 30, 2015, have been evaluated for possible adjustment to the financial statements or disclosure as of November 3, 2015, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

Buena Park Library District
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2015

Budgets and Budgetary Data

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Expenditures/Expenses:					
Library operations					
Salaries and benefits	\$ 1,756,551	-	1,756,551	1,613,038	143,513
Materials and services	602,500	-	602,500	528,060	74,440
Facilities	104,000	-	104,000	78,406	25,594
Capital outlay	124,000	-	124,000	12,966	111,034
Total expenditures/expenses	2,587,051	-	2,587,051	2,232,470	354,581
Program revenues:					
Charges for services	360,000	-	360,000	340,298	(19,702)
Operating grants and contributions	28,500	-	28,500	26,957	(1,543)
Total program revenues	388,500	-	388,500	367,255	(21,245)
General revenues:					
Property Taxes	2,183,576	-	2,183,576	2,726,136	542,560
Interest earnings	10,000	-	10,000	15,512	5,512
Other	5,000	-	5,000	12,520	7,520
Total general revenues	2,198,576	-	2,198,576	2,754,168	555,592
Total revenues	2,587,076	-	2,587,076	3,121,423	534,347
Net change in fund balance	25	-	25	888,953	888,928
Fund balance – beginning of period	5,041,301		5,041,301	5,041,301	
Fund balance – end of period	\$ 5,041,326		5,041,326	5,930,254	

Notes to Required Supplementary Information

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District's Library Director prepares and submits an operating budget to the Board of Trustees for the General Fund no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Trustees must approve all supplemental appropriations to the budget and transfers between major accounts.

The District presents a comparison of the annual budget to actual results for the General Fund at the functional expenditure-type major object level for financial reporting purposes. The budgeted expenditure amounts represent the adopted budget.

Buena Park Library District
Schedule of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2015
Last Ten Years*

Defined Benefit Pension Plan

<u>Description</u>	<u>6/30/14 (a)</u>
Proportion of the net pension liability	0.01968%
Proportionate share of the net pension liability	\$ 1,224,525
Covered - employee payroll (b)	\$ 692,201
Proportionate Share of the net pension liability as percentage of covered-employee payroll	176.90%
Plan's fiduciary net position	83.46%
Plan fiduciary net position as a percentage of the Total pension liability (c), (d)	\$ 167,129

Notes:

- (a) Historical information is required only for measurement periods for which GASB 68 is applicable.
 - (b) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll related ratios.
 - (c) The Plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The Plan's proportionate share of aggregate contributions on the Plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side is based fund (or unfunded liability) contributions made by the employer during the measurement period.
 - (d) This data is not required to be displayed by GASB 68 for employer's participating in cost-sharing plans, but is being shown here because it is used in the calculation of the Plan's pension expense.
- * Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Buena Park Library District
Schedule of Pension Plan Contributions
As of June 30, 2015
Last Ten Years*

Defined Benefit Pension Plan

<u>Schedule of Pension Plan Contributions (a):</u>	<u>Fiscal Year 2013-2014</u>
Contractually required contribution (actuarial determined) (b)	\$ 55,070
Contributions in relation to the actuarially determined contributions	<u>(55,070)</u>
Contribution deficiency (excess)	\$ <u>-</u>
Covered-employee payroll (c), (d)	\$ <u>692,201</u>
Contributions as a percentage of covered - employee payroll (c)	<u>7.96%</u>

Notes:

- (a) Historical information is required only for measurement periods for which GASB 68 is applicable.
 - (b) Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employer's may choose to make additional contributions towards their side fund or unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.
 - (c) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.
 - (d) Payroll from prior year (\$672,040) was assumed to increase by the 3.00 percent payroll growth assumption.
- * Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

Buena Park Library District
Schedule of Funding Status
For the Year Ended June 30, 2015

Other Post-Employment Benefits Asset

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2015	\$ 864,749	2,010,141	1,145,392	43.02%	\$ 958,620	119.5%
July 1, 2013	558,429	1,611,491	1,053,062	34.65%	583,743	180.4%
July 1, 2011	-	1,448,625	1,448,625	0.00%	617,896	234.4%

Funding progress is presented for the years that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or annually if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2018 based on the year ending June 30, 2017.



Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Jonathan P. Abadesco, CPA

Fedak & Brown LLP

Certified Public Accountants

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
4204 Riverwalk Pkwy. Ste. 390
Riverside, California 92505
(951) 977-9888

Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Library Trustees
Buena Park Library District
Buena Park, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Buena Park Library District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated November 3, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

**Independent Auditor's Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards***

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FEDAK & BROWN, LLP

Fedak & Brown LLP
Cypress, California
November 3, 2015