

**PLACENTIA LIBRARY DISTRICT
OF ORANGE COUNTY**

FINANCIAL STATEMENTS

**WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

FOR THE YEAR ENDED JUNE 30, 2020



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PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020
Table of Contents

	<u>Page Number</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis (Required Supplementary Information)	3 - 8
Financial Statements:	
Government-wide:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Fund	11
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	14
Notes to Financial Statements	15
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund	29
Note to Required Supplementary Information	30

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INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees of
the Placentia Library District of
Orange County
Placentia, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Placentia Library District of Orange County (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's 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.

Auditors' 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 auditors' 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 auditors consider internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 9, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Irvine, California
March 9, 2021

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Management's Discussion and Analysis

For the Year Ended June 30, 2020

As management of the Placentia Library District of Orange County (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements, which can be found on pages 11 to 14 of this report.

Financial Highlights

- 📖 The assets of the District exceeded its liabilities at the close of the most recent year by \$5,891,297 (*net position*). Of this amount, \$1,764,367 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- 📖 The District's total net position increased by \$668,422. This increase is mainly attributable to increase in grants received during the year.
- 📖 As of the close of the current year, the District's general fund reported ending fund balance of \$2,109,793 a decrease of \$488,678 in comparison with the prior year. Approximately 86 percent of this total amount, \$1,818,677 is available for spending at the government's discretion (*unassigned fund balance*).
- 📖 The District's total liabilities decreased by \$594,978 during the current year due to final payout of renovation projects and payment of the i-bank loan for the financing of the District's facilities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components:

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

This report also contains other supplementary information in addition to the basic financial statements themselves.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2020

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

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 9 and 10 of this report.

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

Governmental fund. A *governmental fund* is 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 year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the *governmental fund* 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 the *governmental fund* and *governmental activities*.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Management’s Discussion and Analysis (Continued)

For the Year Ended June 30, 2020

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the District, assets exceeded liabilities by \$5,891,297 at June 30, 2020.

Approximately 66 percent of the District’s net position reflects its net investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the District’s net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Placentia Library District of Orange County Statements of Net Position Governmental Activities				
	2019-20	2018-19	\$ Change	% Change
Current and other assets	2,220,336	3,293,562	(1,073,226)	-32.59%
Capital assets	5,031,971	3,885,301	1,146,670	29.51%
Total Assets	<u>7,252,307</u>	<u>7,178,863</u>	<u>73,444</u>	1.02%
Noncurrent liabilities	1,231,445	1,241,327	(9,882)	-0.80%
Other liabilities	129,565	714,661	(585,096)	-81.87%
Total Liabilities	<u>1,361,010</u>	<u>1,955,988</u>	<u>(594,978)</u>	-30.42%
Net position:				
Net investments in capital assets	3,896,289	2,823,519	1,072,770	37.99%
Restricted	230,641	-	230,641	-
Unrestricted	1,764,367	2,399,356	(634,989)	-26.46%
Total net position	<u>5,891,297</u>	<u>5,222,875</u>	<u>668,422</u>	12.80%

Unrestricted net position of \$1,764,367 may be used to meet the District’s ongoing obligations to citizens and creditors.

The key elements for the change in the District’s assets and liabilities are as follows:

- 📖 Decrease in current and other assets of \$1,073,226 from prior year is mainly due final vendor payments for Centennial Renovation.
- 📖 Increase in capital assets of \$1,146,670 is due to added building improvements from the Energy Efficiency Project and Centennial Renovation such as HVAC, roof, solar, added square footage, and new computers and furniture.
- 📖 Decrease in other liabilities of \$585,096 from the prior year is primarily due to a decrease in the accounts payable.
- 📖 Decrease in unrestricted funds of \$634,989 is due to additional County Fund withdrawal to pay the Centennial Renovation vendors.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2020

Placentia Library District of Orange County Statement of Activities Governmental Activities				
	<u>2019-20</u>	<u>2018-19</u>	<u>\$ Change</u>	<u>% Change</u>
Program Revenues:				
Charges for services	172,893	280,430	(107,537)	-38.35%
Operating grants and contributions	580,638	179,616	401,022	223.27%
Total Program Revenues	<u>753,531</u>	<u>460,046</u>	<u>293,485</u>	63.79%
General Revenues				
Property tax	2,685,728	2,614,136	71,592	2.74%
Unrestricted investment earnings and other	48,455	51,260	(2,805)	-5.47%
Total General Revenues	<u>2,734,183</u>	<u>2,665,396</u>	<u>68,787</u>	2.58%
Total Revenues	<u>3,487,714</u>	<u>3,125,442</u>	<u>362,272</u>	11.59%
Expenses				
General government	2,781,823	3,033,526	(251,703)	-8.30%
Interest	37,469	45,308	(7,839)	100.00%
Total Expenses	<u>2,819,292</u>	<u>3,078,834</u>	<u>(259,542)</u>	-8.43%
Change in net position	668,422	46,608	621,814	1334.14%
Net position - beginning of the year	<u>5,222,875</u>	<u>5,176,267</u>	<u>46,608</u>	0.90%
Net position - end of the year	<u>5,891,297</u>	<u>5,222,875</u>	<u>668,422</u>	12.80%

The government's net position increased by \$668,422. Key elements of the current year are an increase in operating grants and contributions.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2020

Financial Analysis of the District's Governmental Fund

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

General fund. The focus of the District's *general fund* 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 a government's net resources available for spending at the end of the year.

As of the year ended June 30, 2020, the District's general fund reported ending fund balance of \$2,109,793 a decrease of \$488,678 in comparison with the prior year. Approximately 86 percent of this total amount, \$1,818,677 constitutes *unassigned fund balance*, which is available for spending at the District's discretion.



The general fund is the chief operating fund of the District. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 45.74% of total fund expenditures, and total fund balance represents 53.05% of that same amount.

The fund balance of the District's general fund decreased by \$488,678 during the current year.

Approximately 11.1 percent of the District's general fund balance is subject to external restriction on how they may be used.

General Fund Budgetary Highlights

Current year expenditures exceeded budgeted expenditures in the following areas:

-  Salaries and employee benefit exceeded budget by \$433,511 than originally appropriated due to an increased staff participation during the Centennial Renovation.
-  Office expense and postage exceeded budget by over \$55,000 due to an increase in promotional printing and postage for grand reopening.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2020, the District investments in capital assets totaled \$5,031,971. The District added building improvements from the Centennial Renovation. For additional information, see Note 3 to the financial statements.

Long-term obligations. At the end of the current year, the District had total noncurrent liabilities outstanding of \$1,231,445 which consists of District's obligation to its employees for compensated absences and the new Ibank loan. For additional information, see Note 4 to the financial statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2020

Economic Factors and Next Year's Budgets and Rates

- 📖 The assumption used in the Fiscal Year 2020-21 Budget was that the property valuation growth would increase by 4.0%.
- 📖 The District continued with the renovation and energy efficiency project in the new fiscal year, with a total estimated final cost of \$3.8 million - \$1.2 million of the cost will be paid with a loan.
- 📖 The District will receive a Literacy Grant from California Library Literacy Services.
- 📖 The cost of health benefits for employees is estimated to increase by 8%.
- 📖 Increase in materials budget of 8.7%
- 📖 The District may increase 3% in salaries due to cost of living adjustment.

All of these factors were considered in preparing the District's budget for Fiscal Year 2019-20.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Library Director's Office, Placentia Library District of Orange County, 411 East Chapman Avenue, Placentia, CA 92870-6198.

FINANCIAL STATEMENTS

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PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

STATEMENT OF NET POSITION

June 30, 2020

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 2,013,847
Taxes receivable	53,874
Interest receivable	2,701
Other receivables	89,439
Other assets	60,475
Capital assets, nondepreciable	81,498
Capital assets, net of accumulated depreciation	<u>4,950,473</u>
 TOTAL ASSETS	 <u>7,252,307</u>
LIABILITIES:	
Accounts payable	58,500
Accrued salaries	52,043
Interest payable	19,022
Noncurrent liabilities:	
Due within one year	74,938
Due in more than one year	<u>1,156,507</u>
 TOTAL LIABILITIES	 <u>1,361,010</u>
NET POSITION:	
Net investment in capital assets	3,896,289
Restricted for:	
Unspent impact fees	230,641
Unrestricted	<u>1,764,367</u>
 TOTAL NET POSITION	 <u>\$ 5,891,297</u>

See accompanying notes to financial statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

STATEMENT OF ACTIVITIES

For the year ended June 30, 2020

	<u>Program Revenues</u>		<u>Net Expenses and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	
Governmental Activities:			
General government	\$ 2,781,823	\$ 172,893	\$ 580,638
Interest on long-term debt	37,469	-	-
	<u>2,819,292</u>	<u>172,893</u>	<u>580,638</u>
Total Governmental Activities	<u>\$ 2,819,292</u>	<u>\$ 172,893</u>	<u>\$ 580,638</u>
General Revenue:			
Property tax			2,685,728
Unrestricted investment income			46,482
Other			1,973
			<u>2,734,183</u>
Total general revenue			<u>2,734,183</u>
Change in net position			668,422
Net Position - Beginning of Year			<u>5,222,875</u>
Net Position - End of Year			<u>\$ 5,891,297</u>

See accompanying notes to financial statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2020

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 2,013,847
Taxes receivable	53,874
Interest receivable	2,701
Other receivables	89,439
Prepaid expenses	<u>60,475</u>
 TOTAL ASSETS	 <u><u>\$ 2,220,336</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable	\$ 58,500
Accrued salaries	<u>52,043</u>
 TOTAL LIABILITIES	 <u>110,543</u>
FUND BALANCE:	
Nonspendable for:	
Prepays	60,475
Restricted for:	
Unspent impact fees	230,641
Unassigned	<u>1,818,677</u>
 TOTAL FUND BALANCE	 <u>2,109,793</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 2,220,336</u></u>

See accompanying notes to financial statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2020

Fund Balance of the Governmental Fund	\$ 2,109,793
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.	5,031,971
Long-term debt and related items that have not been included in the governmental fund activity:	
Loan payable	(1,135,682)
Accrued interest payable for the current portion of interest due on bonds are not reported in the governmental funds.	(19,022)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the fund financial statements	<u>(95,763)</u>
Net Position of the Governmental Activities	<u>\$ 5,891,297</u>

See accompanying notes to financial statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND

For the year ended June 30, 2020

	<u>General Fund</u>
REVENUES:	
Property taxes	\$ 2,685,728
Grants and other contributions	349,997
Library income	172,893
Impact fees	230,641
Interest income	46,482
Other	<u>1,973</u>
 TOTAL REVENUES	 <u>3,487,714</u>
EXPENDITURES:	
General Government:	
Salaries and employee benefits	1,924,453
Office and administration	169,456
Books and library materials	279,630
Professional services	158,531
Maintenance	27,112
Library program	74,964
Miscellaneous	28,993
Capital outlay	1,242,555
Debt Service:	
Principal retirement	32,681
Interest and fiscal charges	<u>38,017</u>
 TOTAL EXPENDITURES	 <u>3,976,392</u>
 NET CHANGE IN FUND BALANCE	 (488,678)
 FUND BALANCE - BEGINNING OF YEAR	 <u>2,598,471</u>
 FUND BALANCE - END OF YEAR	 <u><u>\$ 2,109,793</u></u>

See accompanying notes to financial statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2020

Net Change in Fund Balance of the Governmental Fund	\$	(488,678)
<p>Amounts reported for governmental activities in the statement of activities differ from the amounts reported in the statement of revenues, expenditures, and changes in fund balance because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the excess of capital asset purchases over depreciation expense.</p>		
Capital outlay	\$ 1,242,555	
Depreciation expense	<u>(95,885)</u>	1,146,670
<p>Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities and the issuance and the issuance increases long-term liabilities in the statement of net position.</p>		
Repayment of loan principal		32,681
<p>Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.</p>		
		548
<p>The net change in compensated absences reported in the statement of activities that do not require the use of current financial resources are not reported on the fund financial statements but are reported as an expense in the government-wide statements.</p>		
		<u>(22,799)</u>
Change in Net Position of Governmental Activities	\$	<u><u>668,422</u></u>

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2020

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization

The Placentia Library District of Orange County (the District) was incorporated in 1919 under the provisions of the California Education Code. The District is governed by a Board of Trustees, which consists of five members who are elected at large.

b. Significant Accounting Policies

A summary of the District's significant accounting policies consistently applied in the preparation of the accompanying financial statements is as follows:

Basis of Accounting and Measurement Focus

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

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

Government-wide Financial Statements

The government-wide financial statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Accordingly, all 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 when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. The statement of activities demonstrates the degree to which the direct expenses of a given function is 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 not properly included among program revenues are reported instead as general revenues.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements

The governmental financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, current assets and liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Under the modified accrual basis of accounting, revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The District uses an availability period of 60 days. Property taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the District. 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.

The District reports the following major governmental fund:

General Fund - The 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. The District does not report any other funds.

New Accounting Pronouncements

GASB Current-Year Standards

GASB 95

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 95, *Postponement of the Effective Dates of Certain Authority Guidance*, which was effective immediately. This statement provided temporary relief to governments and other stakeholders in light of the COVID-19 pandemic and postponed the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2020

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

GASB Current-Year Standards (Continued)

GASB 97

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. This statement requires that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform. This statement also requires that the financial burden criterion in paragraph 7 of Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively.

The requirements of these paragraphs did not impact the District.

GASB Pending Accounting Standards

GASB has issued the following statements, which may impact the District's financial reporting requirements in the future.

GASB 87

In June 2017, GASB issued Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset for leases with a term of more than 12 months. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about a government's leasing activities. For leases with a term of 12 months or less, lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract. The requirements of this statement are effective for reporting periods beginning after June 15, 2021, and early application is encouraged.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

GASB Pending Accounting Standards (Continued)

GASB 92

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to leases, fiduciary activities, measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition, reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments.

The requirements of this statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.

The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Fund Balance

The general fund reports the fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. As of June 30, 2020, the fund balance for the general fund is made up of the following:

- **Nonspendable Fund Balance:** This includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The not in spendable form criterion includes items that are not expected to be converted to cash, for example, inventories, prepaid amounts, and long-term notes receivable.
- **Restricted Fund Balance:** This includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- **Committed Fund Balance:** This includes amounts that can only be used for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board of Trustees. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally. There was no committed fund balance at June 30, 2020.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Significant Accounting Policies (Continued)

Fund Balance (Continued)

- **Assigned Fund Balance:** This includes amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by the Board of Trustees to which the Board of Trustees has not delegated the authority to assign amounts to be used for specific purposes. There was no assigned fund balance at June 30, 2020.
- **Unassigned Fund Balance:** This is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until that time. The District does not have any applicable deferred outflows of resources.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District does not have any applicable deferred inflows of resources.

Investments

Investments are stated at fair value, which is based on quoted market prices. All investments are controlled by an investment policy that is adopted annually by the Board of Trustees within the provisions of the California Government Code.

Property Taxes

Property taxes in California are levied in accordance with Article XIII A of the California State Constitution at 1% of countywide assessed valuations. This levy is allocated pursuant to state law to the appropriate units of local government. Additional levies require two-thirds approval by the voters and are allocated directly to the specific government. Taxes and assessments are recognized as revenue based on amounts reported to the District by the County of Orange (the County). The County acts as a collection agent for the property taxes, which are normally collected twice a year. The District elected to participate in the County's Teeter Plan, whereby the District receives 100% of the tax levy for a fiscal year, net of administrative fees.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2020

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Significant Accounting Policies (Continued)

Property Taxes (Continued)

The property tax calendar is as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Dates:	First Installment - November 1 Second Installment - February 1
Delinquent Dates:	First Installment - December 10 Second Installment - April 10

Capital Assets

Capital assets, which include land, buildings, and improvements, and equipment and furniture, are reported in the government-wide financial statements. Capital assets are defined by the District as individual assets with an initial, individual cost of more than \$5,000. All purchased capital assets are valued at cost where historical cost records are available and at an estimate historical cost where no historical records exist. Donated capital assets are valued at acquisition value on the date of donation. Capital assets acquired with capital leases are capitalized in accordance with accounting principles generally accepted in the United States of America.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Using the convention of no depreciation expense in the year of acquisition, depreciation is recorded in the Government-wide financial statements on a straight-line basis over the useful life of the assets as follows: equipment and furniture - 5 to 10 years and building and improvements - 10 to 50 years. Capital assets acquired with capital leases are depreciated on a straight-line basis over the estimated useful life.

Compensated Absences

Compensated absences include accrued vacation and sick leave that are available to employees in future years either in time off or in cash (upon leaving the employment of the District). All compensated absences are accrued when incurred in the government-wide financial statements. A liability for compensated absences is reported in the governmental fund only if it has matured, for example, as a result of employee resignations or retirements.

Full-time, permanent employees are granted vacation benefits, in varying amounts to specified maximums, depending on tenure with the District. Sick leave accrues to full-time, permanent employees to specific maximums. Generally, after one year of service, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Notes to Financial Statements
June 30, 2020

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. CASH AND INVESTMENTS

Cash and Investments

Cash and investments consist of the following at June 30, 2020:

Checking account	\$ 544,681
Savings account	593,936
Bank account - payroll	85,394
Subtotal deposits	<u>1,224,011</u>
Orange County Investment Pool	789,836
Total cash and investments	<u><u>\$ 2,013,847</u></u>

Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Quality Requirements
United States Government-Sponsored			
Agency Securities	5 years	None	None
United States Treasury Bills, Note, and Bonds	5 years	None	None
California Obligations	5 years	None	None
Local Agencies' Obligations	5 years	None	None
Bankers' Acceptance	270 days	40%	None
Commercial Paper	180 days	15%	AAA
Certificates of Deposit	1 year	30%	None
California Local Agency Investment Fund	N/A	None	None
Orange County Investment Pool	N/A	None	None

N/A - Not Applicable

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2020

2. CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2020.

	Maturity in Years
	<u>Less Than</u> <u>1 Year</u>
Orange County Investment Pool	<u>\$ 789,836</u>

Disclosures Relating to Credit Risk

Generally, 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. On December, 2020, Standard & Poor's Rating Services reaffirmed its AAAM Principal Stability Fund Rating for the Orange County Investment Pool (OCIP). The OCIP is not registered with the Securities and Exchange Commission.

Concentration of Credit Risk

Concentration of credit is the risk of loss attributed to the magnitude to the District's investment in a single issue.

The District's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total investments.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2020

2. CASH AND INVESTMENTS (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 do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units in excess of federal deposit insurance limit 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. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2020, the District's deposits (bank balances) were insured by the Federal Deposit Insurance Corporation or collateralized as required under California law.

District Investments in Orange County Investment Pool

The District is a voluntary participant in the OCIP that is regulated by California Government Code and the Orange County Board of Supervisors under the oversight of the County of Orange Treasury Oversight Committee. The fair value of the District's investments in this pool is reported in the accompanying financial statements at amounts based upon the District's pro rata share of the fair value provided by the OCIP for each respective portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the OCIP, which are recorded on an amortized cost basis.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices of similar assets in active markets, and Level 3 inputs are significant unobservable inputs.

The District's investments in the OCIP are not subject to the fair value hierarchy.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Notes to Financial Statements
June 30, 2020

3. CAPITAL ASSETS

Capital assets consist of the following at June 30, 2020:

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets, not being depreciated:				
Land	\$ 81,498	\$ -	\$ -	\$ 81,498
Construction in progress	1,318,755	982,326	(2,301,081)	-
Total capital assets, not being depreciated	<u>1,400,253</u>	<u>982,326</u>	<u>(2,301,081)</u>	<u>81,498</u>
Capital assets, being depreciated:				
Building and other improvements	4,086,717	2,545,934	-	6,632,651
Equipment and furniture	908,426	15,376	-	923,802
Total capital assets, being depreciated	<u>4,995,143</u>	<u>2,561,310</u>	<u>-</u>	<u>7,556,453</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,683,177)	(76,294)	-	(1,759,471)
Equipment and furniture	(826,918)	(19,591)	-	(846,509)
Total accumulated depreciation	<u>(2,510,095)</u>	<u>(95,885)</u>	<u>-</u>	<u>(2,605,980)</u>
Total capital assets, being depreciated, net	<u>2,485,048</u>	<u>2,465,425</u>	<u>-</u>	<u>4,950,473</u>
Total capital assets, net	<u>\$ 3,885,301</u>	<u>\$ 3,447,751</u>	<u>\$ (2,301,081)</u>	<u>\$ 5,031,971</u>

Depreciation expense for depreciable capital assets was \$95,885 in 2020.

4. LONG-TERM LIABILITIES

Long-term liabilities consist of the following at June 30, 2020:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year	Due in More Than One Year
Direct Borrowings						
Installment Sale Agreement	\$ 1,168,363	\$ -	\$ (32,681)	\$ 1,135,682	\$ 33,760	\$ 1,101,922
Other Long-Term Liabilities						
Compensated Absences	72,964	128,462	(105,663)	95,763	41,178	54,585
	<u>\$ 1,241,327</u>	<u>\$ 128,462</u>	<u>\$ (138,344)</u>	<u>\$ 1,231,445</u>	<u>\$ 74,938</u>	<u>\$ 1,156,507</u>

Compensated Absences

Compensated absences are composed of unpaid vacation and sick leave, which are accrued as earned (see Note 1b).

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Notes to Financial Statements
June 30, 2020

4. LONG-TERM LIABILITIES (CONTINUED)

Installment Sale Agreement

On May 1, 2018, the District entered into a twenty-year financial lease with California Infrastructure and Economic Development Bank to fund energy-efficient improvements to the District's facilities. Under the terms of the lease, the District may borrow up to \$1,200,000 or the eligible costs of the project. At June 30, 2020, the District has drawn down \$1,061,781 and the remaining balance is reported as a receivable in the accompanying financial statements. The lease accrues interest at rate of 3.3%, payable semiannually on August 1 and February 1. Principal payments are due annually on August 1. In addition, an annual fee is due with the principal payment equal to 0.3% of the outstanding principal amount. As of June 30, 2020, the outstanding principal amount was \$1,135,682.

The debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 33,760	\$ 40,327	\$ 74,087
2022	34,874	39,094	73,968
2023	36,025	37,819	73,844
2024	37,213	36,503	73,716
2025	38,442	35,143	73,585
2026 - 2030	212,095	153,690	365,785
2031 - 2035	249,478	112,293	361,771
2036 - 2040	293,449	63,599	357,048
2041 - 2043	200,346	11,275	211,621
Totals	<u>\$ 1,135,682</u>	<u>\$ 529,743</u>	<u>\$ 1,665,425</u>

5. DEFINED CONTRIBUTION PLAN

Plan Description

The District's employees participate in a defined contribution plan administered by Public Agency Retirement Services. All employees with six months of service and who are at least 21 years of age are eligible to participate in the plan. The plan was established by resolution of the Board of Trustees and may be amended by approval of the Board of Trustees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The contributions and any interest earned vest in increasing amounts per year of service as follows: 1 year of service - 20% vested; 2 years of service - 40% vested; 3 years of service - 60% vested; 4 years of service - 80% vested; and 5 years of service - 100% vested.

Effective September 1, 2012, the plan was amended as follows:

- (1) The amended plan stated that an employee shall participate in the plan under Tier I or Tier II if an employee meets the following requirements:

Tier I

- Is a full-time or part-time employee on or after July 1, 2008;
- Has completed at least six months of service; and
- Is at least 21 years of age.

5. DEFINED CONTRIBUTION PLAN (CONTINUED)

Plan Description (Continued)

(1) (Continued)

Tier II

- Is the Library Director on or after July 1, 2012;
- Has completed at least six months of service; and
- Is at least 21 years of age.

(2) The District's contribution was amended as follows:

Tier I

It is the intention of the District to contribute 4% of an eligible employee's compensation. The contribution is subject to change at the discretion of the District.

Tier II

It is the intention of the District to contribute 6% of an eligible employee's compensation. The contribution is subject to change at the discretion of the District.

(3) The vesting period was amended as follows:

Tier I

A participant eligible under Tier I shall be 100% vested upon attaining the age of 65 or upon completion of five years of service with the District. If neither the age nor years of service requirement has been met at termination of employment, vesting shall be determined upon the following, which is based on the years of service calculated as of the employee's last day of employment with the District: 1 year of service - 20% vested; 2 years of service - 40% vested; 3 years of service - 60% vested; 4 years of service - 80% vested; and 5 years of service - 100% vested.

Tier II

A participant eligible under Tier II shall be 100% vested upon attaining the age of 65 or upon completion of five years of service with the District. If neither the age nor years of service requirement has been met at termination of employment, vesting shall be determined upon the following, which is based on the years of service calculated as of the employee's last day of employment with the District: 1 year of service - 20% vested; 2 years of service - 40% vested; 3 years of service - 60% vested; and 4 years of service - 100% vested.

For the year ended June 30, 2020, the District contributed \$58,215 (pension expense), which is based on covered salaries of \$1,276,036 for the covered period. There were 20 covered employees during the year. Assets of the plan totaled \$1,204,441, at June 30, 2020. At June 30, 2020, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2020

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, and natural disasters. The District participates in an insurance pool through the Special District Risk Management Authority (SDRMA). SDRMA is a not-for-profit public agency formed under California Government Code Section 6500 et seq. SDRMA is governed by a board composed of members from participating agencies. The mission of SDRMA is to provide renewable, efficiently priced risk financing and risk management services through a financially sound pool. The District pays an annual premium for commercial insurance covering general liability, property, automobile, personal liability for board members, employment practices, workers' compensation, and various other claims. Accordingly, the District retains no risk of loss. Separate financial statements of SDRMA may be obtained at Special District Risk Management Authority, 1112 I Street, Suite 300, Sacramento, CA 95814.

At June 30, 2020, the District's insurance coverages were as follows:

Property Loss - Buildings and business personal property insured for up to \$1,000,000,000 with \$2,000 deductible per occurrence limited to insurable value.

General Liability - Insured for up to \$5,000,000 per occurrence and a \$500 deductible per occurrence.

Employee Benefits - Insured for up to \$5,000,000 per occurrence with no deductible.

Employee Dishonesty - Insured for up to \$400,000 per occurrence with no deductible.

Auto - Insured for up to \$5,000,000 per occurrence with \$1,000 deductible per occurrence.

Personal Liability Coverage for Board Member - Limit is \$500,000 per occurrence and \$500,000 per general aggregate.

Uninsured/Underinsured Motorists - Insured for up to \$750,000 per accident with \$1,000 deductible per occurrence.

Public Officials', Employees' Errors and Employment Practices - Insured for up to \$5,000,000 per occurrence and \$5,000,000 per general aggregate.

Boiler and Machinery - Insured for up to \$100,000,000 per occurrence with \$1,000 deductible per occurrence.

Workers' Compensation - Insured for up to the statutory limits.

There were no instances in the past three years where a settlement exceeded the District's coverage, and no reduction in insurance coverage has occurred.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2020

7. RELATIONSHIP TO PLACENTIA CIVIC CENTER AUTHORITY

The Placentia Civic Center Authority (Authority), through a joint powers agreement between the City of Placentia (City) and the District, was formed in May 1972 for the purpose of selling a bond to construct and furnish a civic center complex, consisting of a city hall, a police facility, and a library. The Authority was the owner of the facility and leased the facility back to the City and the District until the related bonds were fully paid in 2006. After full payment of the bonds, ownership of the civic center complex reverted to the City and the District. The costs of the civic center complex are shared between the City and the District. The District pays 50% and 35% of landscape and outside maintenance and utilities, respectively.

During fiscal year 2020, the District paid \$37,059 and \$0 for landscape and outside maintenance and utilities, respectfully.

Financial statements of the Authority are included in the City's financial statements and may be obtained from the City of Placentia's Finance Manager at Placentia City Hall, 401 E. Chapman Avenue, Placentia, CA 92870.

8. COMMITMENTS AND CONTINGENCIES

Litigation

There are potential lawsuits in which the District may be involved. The District's management and legal counsel estimate that potential claims against the District, not covered by insurance, resulting from such litigation would not materially affect the operations or financial condition of the District.

Construction Commitments

The District has entered into various contracts for the improvements on the District's facilities. The amounts contracted are based on the estimated costs of construction. At June 30, 2020, total remaining commitments on these contracts was \$81,400.

REQUIRED SUPPLEMENTARY INFORMATION

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PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:				
Property taxes	\$ 2,597,577	\$ 2,791,195	\$ 2,685,728	\$ (105,467)
Grants and other contributions	285,000	299,000	349,997	50,997
Library income	322,500	182,350	172,893	(9,457)
Impact fees	50,000	228,769	230,641	1,872
Interest income	8,500	51,436	46,482	(4,954)
Other	700	1,600	1,973	373
TOTAL REVENUES	<u>3,264,277</u>	<u>3,554,350</u>	<u>3,487,714</u>	<u>(66,636)</u>
EXPENDITURES:				
General Government:				
Salaries and employee benefits	2,026,796	2,000,242	1,924,453	75,789
Office and administration	176,000	166,000	169,456	(3,456)
Books and library materials	265,183	205,000	279,630	(74,630)
Professional and special services	161,000	165,500	158,531	6,969
Maintenance	234,865	83,260	27,112	56,148
Library program	160,000	80,000	74,964	5,036
Miscellaneous	-	30,000	28,993	1,007
Capital outlay	2,100,000	2,100,000	1,242,555	857,445
Debt Service:				
Principal retirement	33,000	33,000	32,681	319
Interest and fiscal charges	45,000	45,000	38,017	6,983
TOTAL EXPENDITURES	<u>5,201,844</u>	<u>4,908,002</u>	<u>3,976,392</u>	<u>924,308</u>
NET CHANGE IN FUND BALANCE	<u>(1,937,567)</u>	<u>(1,353,652)</u>	<u>(488,678)</u>	<u>990,944</u>
FUND BALANCE - BEGINNING OF YEAR	<u>2,598,471</u>	<u>2,598,471</u>	<u>2,598,471</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 660,904</u>	<u>\$ 1,244,819</u>	<u>\$ 2,109,793</u>	<u>\$ 990,944</u>

See accompanying note to required supplementary information.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Note to Required Supplementary Information

June 30, 2020

1. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

General Budget Policies

The Executive Director of the District submits a proposed budget to the Board of Trustees every two years. The Board of Trustees and the County approve the budget. The biannual budget is adopted by resolution of the Board of Trustees. Revisions or transfers that alter the total appropriations must be approved by the Board of Trustees. Supplemental appropriations may be adopted by the Board of Trustees during the year.

A budget is adopted biannually on a basis consistent with accounting principles generally accepted in the United States of America and is used as a management control device. The District maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is at the fund level.

Continuing Appropriations

Unexpended annual appropriations lapse at the end of the fiscal year; encumbered appropriations are re-budgeted in the next year.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,
an SEC-registered investment advisor. | CliftonLarsonAllen LLP

