

October 8, 2021

Board of Trustees  
Orange County Public Law Library  
515 N Flower St  
Santa Ana, CA 92703-2354

Dear Board of Trustees:

We have audited the financial statements of Orange County Public Law Library (Library) as of and for the years ended June 30, 2021 and 2020, and have issued our report thereon dated October 8, 2021. Professional standards require that we advise you of the following matters relating to our audit.

#### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated May 27, 2021, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with modified cash basis accounting. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Library solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

#### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.



#### **Eadie Payne, LLP**

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We have provided our report on internal control over financial reporting and on compliance and other matters in a separate letter to you dated October 8, 2021.

### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

We performed an independent 2<sup>nd</sup> partner review of all deliverables to reduce the identified self-review threat related to non-attest services to an acceptable level.

### **Qualitative Aspects of the Entity's Significant Accounting Practices**

#### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Library is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2021 and 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Library's financial statements relate to the Basis of Accounting and Financial Statements Presentation.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Library's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in a letter dated October 8, 2021.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the Library, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Library's auditors.

*Eadie and Payne LLP*

Eadie and Payne, LLP  
October 8, 2021

**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 Trustees  
Orange County Public Law Library  
Santa Ana, CA

We have audited, 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, the financial statements of the Orange County Public Law Library (Library) as of and for the year ended June 30, 2021 and 2020 and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated October 8, 2021.

***Internal Control over Financial Reporting***

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.



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### ***Compliance and Other Matters***

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

### **Purpose of this Report**

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

*Eddie and Payne HP*

Riverside, CA  
October 8, 2021



**ORANGE COUNTY PUBLIC LAW LIBRARY**

**Financial Statements  
With Independent Auditor's Report  
Fiscal Years Ended June 30, 2021 and 2020**



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## Independent Auditor's Report

To the Board of Trustees  
Orange County Public Law Library  
Santa Ana, CA

We have audited the accompanying modified cash basis financial statements of the Orange County Public Law Library (Library), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

The Library's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.



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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 modified cash basis financial position of the Library, as of June 30, 2021 and 2020, and the respective changes in financial position-modified cash basis, thereof for the years then ended on the basis of accounting described in Note 2.

### ***Basis of Accounting***

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 3–5 and 16–17 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2021 on our consideration of Library'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 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 Library's internal control over financial reporting and compliance.

*Eddie and Payne LLP*

Riverside, CA  
October 8, 2021

## Management's Discussion and Analysis

The Orange County Public Law Library (Library) has elected to present its financial statements on a modified cash basis of accounting. This is a basis of accounting other than accounting principles generally accepted in the United States of America (US GAAP). The modified cash basis of accounting recognizes revenues and expenses at the time cash is received or paid out, except for certain modifications, such as the recording of refundable deposits.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid and accrued expenses and liabilities) are not recorded in these financial statements. All current assets are included, but fixed assets such as books, furniture, and equipment are not.

Also as a result of the use of the modified cash basis of accounting, there are no differences between the governmental activities and the governmental fund. As such, the statements of the Library consist only of the statement of net position/governmental funds balance sheet – modified cash basis and the statement of activities/governmental funds statement of revenues, expenditures and changes in fund balance – modified cash basis.

The Library's net position/fund balance increased in FY2020 by \$598,592 to \$6,283,199 and by \$873,765 to \$7,156,964 in FY2021.

### CONDENSED STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE/NET POSITION - MODIFIED CASH BASIS

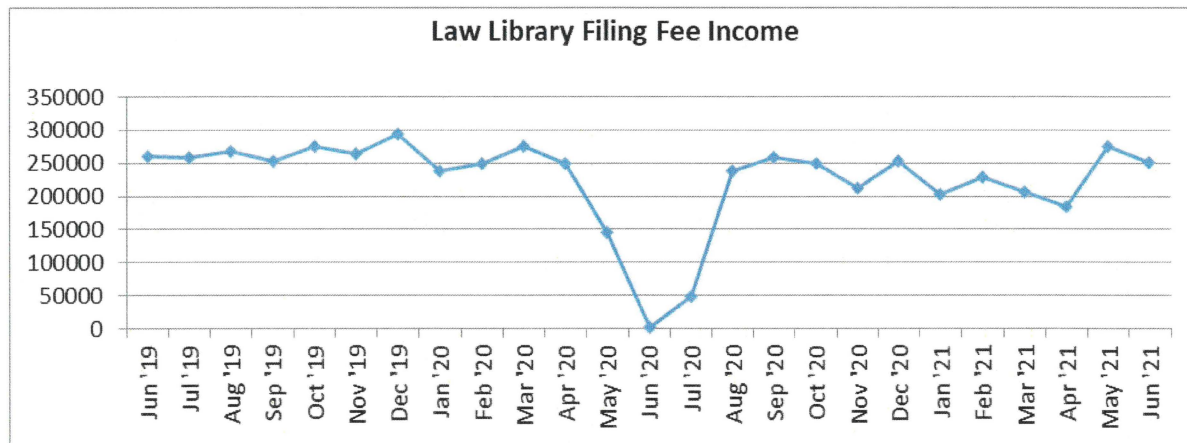
June 30,	2021	2020	2019
<b>Total Assets</b>	7,341,537	6,462,666	5,862,546
<b>Total Liabilities</b>	184,573	179,467	177,939
<b>Total Net Position/Fund Balance</b>	7,156,964	6,283,199	5,684,607

Filing fee revenue, the Library's primary source of funding, plummeted during the final quarter of FY2020 due to COVID-19-related court closures (see below). Thanks to higher-than-anticipated revenue in the first three quarters and various cost savings, the Library ended the year in the black. Total revenue was \$2,922,494 (down from \$4,611,756 in FY2019), while expenditures totaled \$2,323,902 (down from \$2,341,235 in FY2019).

At the start of FY2021, it was unclear how long the drop in revenue would continue. The Library began the year in an austerity mindset with a budget to match. Filing fee revenue trended upward, however, and the California Legislature contributed \$939,314 as part of a package to all California County Law Libraries to offset pandemic-related revenue loss. While interest income decreased substantially, this was offset by increased revenue from other sources. In response to the improved revenue picture, the Library increased expenditures where necessary while again ending in the black. Total revenue was \$3,621,861, while expenditures totaled \$2,748,096.

CONDENSED STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES  
IN FUND BALANCE/NET POSITION - MODIFIED CASH BASIS

June 30,	2021	2020	2019
<b>Total Revenues</b>	3,621,861	2,922,494	4,611,756
<b>Total Expenditures</b>	2,748,096	2,323,902	2,341,235
<b>Total Change in Net Position</b>	873,765	598,592	2,270,521
<b>Total Net position/fund balance, beginning of the year</b>	6,283,199	5,684,607	3,414,086
<b>Total Net position/fund balance, end of the year</b>	7,156,964	6,283,199	5,684,607



SUMMARY OF BUDGET TO ACTUAL FOR 2021

	Final Budget	Actuals	Variance with Final Budget Positive (Negative)
<b>Total Revenues</b>	2,082,081	3,621,861	1,539,780
<b>Total Expenditures</b>	2,755,463	2,748,096	(7,367)
<b>Total Change in Net Position</b>	(673,382)	873,765	1,547,147

SUMMARY OF BUDGET TO ACTUAL FOR 2020

	Final Budget	Actuals	Variance with Final Budget Positive (Negative)
<b>Total Revenues</b>	2,915,475	2,922,494	7,019
<b>Total Expenditures</b>	2,507,737	2,323,902	(183,835)
<b>Total Change in Net Position</b>	407,738	598,592	190,854

When comparing budget to actual results for the fiscal year ending June 30, 2021, there was an overall positive variance of \$1,547,147. As discussed previously, court fees collected were higher than anticipated and state supplemental funding was not budgeted. Total expenditures were in line with amounts budgeted where positive variances from salaries and related benefits and general and administrative expenditures offset the negative variances for capital expenditures and books and periodicals related expenditures.

The Library Board of Trustees approved \$473,220 for facility improvements in FY2021, including a long-awaited reflooring and repainting project. Capital Expenditures were higher than anticipated because time and labor for related work by Orange County Public Works were not included in the budgeted amount. Spending on books, periodicals, and online databases also increased once it became clear that revenue was going to recover from the drop experienced at the beginning of the pandemic. The Library was not required to cancel or withhold updating of titles and was able to purchase new materials and increase online access in response to public demand.

The Library continues to monitor developments in public health and other impacts on its revenue sources. The upward trend in filing fee revenue and a slow upward shift in interest income bode well for its financial stability.

## **FINANCIAL STATEMENTS**

ORANGE COUNTY PUBLIC LAW LIBRARY

**Statements of Net Position/Governmental Funds Balance Sheet–  
Modified Cash Basis**

June 30,	2021	2020
<b>ASSETS</b>		
Cash, cash equivalents, and investments	\$ 7,341,537	\$ 6,462,066
Other assets	<u>-</u>	<u>600</u>
Total assets	<u>\$ 7,341,537</u>	<u>\$ 6,462,666</u>
 <b>LIABILITIES AND NET POSITION/FUND BALANCE</b>		
<b>Liabilities</b>		
Refundable deposits	\$ 184,573	\$ 179,467
 <b>Net Position/Fund Balance</b>		
Unrestricted/assigned	2,431,662	2,428,014
Unrestricted/unassigned	<u>4,725,302</u>	<u>3,855,185</u>
Total net position/fund balance	<u>7,156,964</u>	<u>6,283,199</u>
Total liabilities and net position/fund balance	<u>\$ 7,341,537</u>	<u>\$ 6,462,666</u>

The accompanying notes are an integral part of the financial statements.

**ORANGE COUNTY PUBLIC LAW LIBRARY**

**Statements of Activities/Governmental Funds Statement of Revenues, Expenditures,  
and Changes in Fund Balance – Modified Cash Basis**

For the Years Ended June 30,	2021	2020
<b>Revenue</b>		
Court fees	\$2,611,481	\$2,772,863
State supplemental funding	939,314	-
Interest income	62,311	142,861
Miscellaneous	<u>8,755</u>	<u>6,770</u>
Total revenue	<u>3,621,861</u>	<u>2,922,494</u>
 <b>Expenditures</b>		
Books, periodicals, and related expenditures	381,281	393,085
Salaries and related benefits	1,479,179	1,504,422
Capital expenditures and facility improvements	500,351	40,184
General and administrative expenditures	<u>387,285</u>	<u>386,211</u>
Total expenditures	<u>2,748,096</u>	<u>2,323,902</u>
 Change in net position/increase of revenue over expenditures	 <u>873,765</u>	 <u>598,592</u>
 <b>Net position/fund balance, beginning of the year</b>	 <u>6,283,199</u>	 <u>5,684,607</u>
 <b>Net position/fund balance, end of the year</b>	 <u>\$7,156,964</u>	 <u>\$6,283,199</u>

The accompanying notes are an integral part of the financial statements.

## ORANGE COUNTY PUBLIC LAW LIBRARY

### Notes to the Financial Statements – Modified Cash Basis June 30, 2021 and 2020

#### 1. Organization

The Orange County Public Law Library (Library) operates and maintains a central library at the Santa Ana Civic Center. The Library provides books and other reference materials for use by judges and attorneys and is open to the public. Principal funding of the Library operations is derived from Superior Court civil filing fees as prescribed by various sections of the California Government Code and Business and Professions Code. The Library is governed by a Board of Trustees.

#### 2. Summary of Significant Accounting Policies

A description of the significant accounting principles employed in the preparation of these financial statements follows:

##### **The Reporting Entity**

The Library uses fund accounting. The financial statements report the Library's general fund which is used to account for all financial resources relevant to its operations and is not included as a component unit in any other primary government's financial statements. The Library has no other funds.

##### **Basis of Accounting and Financial Statements Presentation**

The accompanying financial statements are prepared on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). Under this accounting basis, certain revenues, principally court fees and interest income, are recorded when collected, rather than when earned, and certain costs and expenses, such as salaries and related benefits, and book purchases, are recorded when paid rather than when incurred. Conformity with GAAP would require recognition of income when earned and expenses are incurred in the accompanying financial statements. Such variances from GAAP are presumed to be material. However, similar to financial statements prepared in accordance with GAAP, these financial statements reflect a liability for refundable deposits held by the Library.

##### **Cash Equivalents**

The Library considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

##### **Investment Policy**

The Library has an investment policy intended to fulfill the requirements of California Government Code and Business and Professions Code for Law Libraries. All money received from any source shall be deposited with the Treasurer of the County of Orange. The Library Director shall determine if the Library has funds in excess of \$100,000. Excess funds shall be defined to be surplus funds under the California Business and Professions Code and may be deposited and/or invested in the following types of accounts: (1) Treasurer of the County of Orange; (2) Local Agency Investment Fund; and (3) Financial institution which is insured by the FDIC to a maximum of \$250,000.



## ORANGE COUNTY PUBLIC LAW LIBRARY

### Notes to the Financial Statements – Modified Cash June 30, 2021 and 2020

#### 2. Summary of Significant Accounting Policies (continued)

##### Contributed Facility

Pursuant to Resolution Number 69-673 of the Board of Supervisors of Orange County, California, the Library is entitled to the exclusive use of the building it has occupied since September 1971.

##### Net Position

Net position may be classified into restricted or unrestricted net position. Restricted net position presents external restrictions imposed by creditors, grantors, contributors or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Unrestricted net position presents the remaining amount after restricted net position. The Library's net position is unrestricted.

##### Fund Balances

The accompanying financial statements report the components of fund balances for governmental funds consistent with GASB 54.

**Nonspendable fund balance** – This includes amounts that cannot be spent because they are either not spendable in form or legally or contractually required to be maintained intact.

**Restricted fund balance** – This includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

**Committed fund balance** – This includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Commitments may be changed or removed by resolution.

**Assigned fund balance** – This includes amounts that are constrained by the Library's intent to be used for specific purposes, but are neither restricted nor committed.

**Unassigned fund balance** – This includes all amounts not included in other classifications.

The Library's Board of Trustees establishes (and modifies or rescinds) fund balance commitments and assignments.

#### 3. Cash, Cash Equivalents, and Investments

Cash and cash equivalents held by the Library are comprised of the following as of June 30:

	2021	2020
Deposit in financial institution	\$ 26,974	\$ 26,408
Cash held by the Orange County Investment Pool (OCIP)	2,052,575	1,217,869
Cash held by the State's Local Agency Investment Fund (LAIF)	<u>5,261,988</u>	<u>5,217,789</u>
	<u>\$7,341,537</u>	<u>\$6,462,066</u>

ORANGE COUNTY PUBLIC LAW LIBRARY

Notes to the Financial Statements – Modified Cash  
June 30, 2021 and 2020

3. Cash, Cash Equivalents, and Investments (continued)

For purposes of the following discussion, these accounts have been classified as follows at June 30:

	2021	2020
Deposits	\$ 26,974	\$ 26,408
Investments	<u>7,314,563</u>	<u>6,435,658</u>
	<u>\$7,341,537</u>	<u>\$6,462,066</u>

*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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure Library deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. At June 30, 2021 and 2020 the Library's cash held in financial institutions was insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

*Investments*

The Library is a participant in the OCIP's external investment pool. The County pools these funds with those of other entities and invests the cash as prescribed by the California Government Code. These pooled funds are reported at cost, which approximates fair value. Interest earned on the pooled funds are reported at cost, which approximates fair value. Interest earned on the pooled funds is distributed quarterly based on a dollar-day basis to guarantee equitable distribution among all member funds. Fair value on the Library's position in the pool approximates the value of the pool shares. For more information regarding investments with LAIF, refer to the California State Treasurer's web site at <http://www.treasurer.ca.gov/pmia-laif/pmia.asp>.

**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 Library's deposits are not exposed to custodial credit risk, since all of its deposits are covered by FDIC.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. This risk does not apply to a local government's indirect investment in securities through the use of government investment pools, such as cash held by Orange County and LAIF.

ORANGE COUNTY PUBLIC LAW LIBRARY

Notes to the Financial Statements – Modified Cash  
June 30, 2021 and 2020

4. **Assigned Fund Balances**

The Library assigned surplus funds held by LAIF as follows as of June 30:

	2021	2020
Casualty loss	\$ 500,000	\$ 500,000
Employee benefits	171,377	167,729
Facility needs	1,522,785	1,522,785
Insurance	137,500	137,500
Technology upgrades	100,000	100,000
	<u>\$2,431,662</u>	<u>\$2,428,014</u>

These designations are not based on any legal restrictions or board of trustee's action to commit the Library's fund balances.

5. **Refundable Deposits**

Library patrons are required to make a deposit of \$100 or \$200 before book-borrowing privileges are extended. The deposit is returned, less any applicable fines or lost book charges, when the borrowing privileges are cancelled by the patron.

6. **Retirement Plans**

Orange County Employees Retirement System (OCERS)

*Plan Description*

The Library participates in the Orange County Employees Retirement System (OCERS), a cost-sharing multiple-employer defined benefit pension plan (Plan) operating under the County of Employees Retirement Act of 1937. All qualified employees are eligible to participate in the Plan. Benefit provisions under the Plan are established by State's statute and Library resolution. The Plan provides retirement benefits calculated at a percentage of compensation for each completed year of service based on a normal retirement age. The Plan also provides disability benefits to member and death benefits to beneficiaries of members.

A Comprehensive Annual Financial Report of the OCERS is prepared that includes all financial information relating to the Plan. The most recent publicly available report can be found online at <https://www.ocers.org/archived-financial-reports>.

*Benefits Provided*

Members are entitled to receive a retirement allowance with ten or more years of service credit beginning at age 50 (5 years of service and age 52 for General PEPRA plans and 5 years of service and age 50 for Safety PEPRA, for all plans except those identified as PEPRA compliant), at any age with thirty years of service credit (twenty years of service credit for safety members), or if a part-time employee at age 55 or older with five or more years of service credit and at least ten years of active employment with a sponsoring agency covered by OCERS. Members attaining age 70 are eligible to retire regardless of credited service. Benefits received are determined by plan formula, age, years of service and final average salary (see Section II, Notes to the Required Supplementary Information, for any changes in benefit terms in the most recent report).

## ORANGE COUNTY PUBLIC LAW LIBRARY

### Notes to the Financial Statements – Modified Cash June 30, 2021 and 2020

#### 6. Retirement Plans (continued)

##### *Funding Policy*

Active Plan members are required to contribute a percentage of their annual compensation to OCERS based on certain actuarial assumptions and the member's age at entry in OCERS. Employer contribution rates are determined using the entry age normal actuarial cost method based upon a level percentage of payroll. The employer contributions provide for both normal cost and an amount to amortize any unfunded or overfunded actuarial accrued liabilities. For the year ended December 31, 2019, employer contribution rates ranged from 12.46% of payroll to 62.38% depending upon the benefit plan type.

Employee contributions are established by the OCERS' Board of Retirement and guided by state statute. Average employee contribution rates for the year ended December 31, 2019 ranged between 9.61% and 17.15%.

The Library makes contributions to the Plan in amounts that, when combined with employees' contributions, fund actuarially computed costs as they accrue. The Library's pension plan contributions made during the years ended June 30, 2021 and 2020 were \$127,631 and \$131,691, respectively.

##### Deferred Compensation Plan

The Library also maintains a deferred compensation program qualified under Section 457 of the Internal Revenue Code. Participating employees contribute percentage of their salary to the plan. The only cost to the Library is the incidental maintenance cost of the plan, which is minor.

#### 7. Postemployment Health Care Benefits

##### *Plan Description*

The Library employees participate in the County of Orange Retiree Medical Program (RMP). The RMP was established by the County of Board of Supervisors (Board). The Board has the authority to amend the plan. Eligible retired Library employees receive a monthly grant which helps offset the cost of monthly County-offered health plans and/or Medicare A and/or B premiums. The RMP states that it does not create any vested right to the benefits.

In order to be eligible to receive the grant upon retirement, the employee must have completed at least 10 years of continuous County Service (although exceptions for disability retirements exist), be enrolled in a County sponsored health plan and/or Medicare, qualify as a retiree as defined by the RMP, and be able to receive a monthly benefit payment from OCERS. The RMP provides a frozen lump sum payment to terminated employees not eligible to receive the grant.

## ORANGE COUNTY PUBLIC LAW LIBRARY

### Notes to the Financial Statements – Modified Cash June 30, 2021 and 2020

#### 7. Postemployment Health Care Benefits (continued)

##### *Funding Policy*

Employer contributions are made based on the Annual Required Contribution based on bi-annual actuarial valuations which a County contracted actuarial consultant provides. In order to more adequately fund benefits under the RMP, the Board adopted the County of Orange Retiree Medical Trust (Trust) effective July 2, 2007. The Trust is an Internal Revenue Code section 115 Trust for which the County Chief Financial Officer is the Trustee. In addition, OCERS has established an Internal Revenue Code section 401(h) account to invest monies and acts as Trustee for the 401(h) account which is used to pay the monthly grants. OCERS issues a Comprehensive Annual Financial Report for each fiscal year ending December 31, which includes the RMP. The most recent publicly available report can be obtained online at <http://www.cers.org/archived-financial-reports>.

Employees pay an additional 1.75 percent of their salaries toward the employer's retirement contribution, to help offset the Library's cost of the RMP. The Library's cost of contributions made during the years ended June 30, 2021 and 2020, were \$37,922 and \$43,076, respectively.

**REQUIRED SUPPLEMENTARY INFORMATION**

**ORANGE COUNTY PUBLIC LAW LIBRARY**

**Budgetary Comparison Information  
For the Year Ended June 30, 2021**

	Original Budget	Final Budget	Actuals	Variance with Final Budget Positive (Negative)
<b>Revenue</b>				
Court fees	\$ 1,969,594	\$ 1,969,594	\$ 2,611,481	\$ 641,887
State supplemental funding	-	-	939,314	939,314
Interest income	107,597	107,597	62,311	(45,286)
Miscellaneous	4,890	4,890	8,755	3,865
Total revenue	<u>2,082,081</u>	<u>2,082,081</u>	<u>3,621,861</u>	<u>1,539,780</u>
<b>Expenditures</b>				
Books, periodicals, and related expenditures	348,607	348,607	381,281	(32,674)
Salaries and related benefits	1,517,391	1,517,391	1,479,179	38,212
Capital expenditures and facility improvements	3,000	473,220	500,351	(27,131)
General and administrative expenditures	416,245	416,245	387,285	28,960
Total expenditures	<u>2,285,243</u>	<u>2,755,463</u>	<u>2,748,096</u>	<u>7,367</u>
Change in net position/increase of revenue over expenditures	<u>\$ (203,162)</u>	<u>\$ (673,382)</u>	<u>\$ 873,765</u>	<u>\$ 1,547,147</u>
<b>Net position/fund balance, beginning of the year</b>			<u>6,283,199</u>	
<b>Net position/fund balance, end of the year</b>			<u>\$ 7,156,964</u>	

Notes to Budgetary Comparison Schedule:

Budgets are prepared using a current financial resources measurement focus and the modified cash basis accounting.

**ORANGE COUNTY PUBLIC LAW LIBRARY**

**Budgetary Comparison Information  
For the Year Ended June 30, 2020**

For the Years Ended June 30,	Original Budget	Final Budget	Actuals	Variance with Final Budget Positive (Negative)
<b>Revenue</b>				
Court fees	\$ 2,813,705	\$ 2,813,705	\$ 2,772,863	\$ (40,842)
Interest income	94,470	94,470	142,861	48,391
Miscellaneous	<u>7,300</u>	<u>7,300</u>	<u>6,770</u>	<u>(530)</u>
Total revenue	<u>2,915,475</u>	<u>2,915,475</u>	<u>2,922,494</u>	<u>7,019</u>
<b>Expenditures</b>				
Books, periodicals, and related expenditures	498,010	498,010	393,085	104,925
Salaries and related benefits	1,546,634	1,546,634	1,504,422	42,212
Capital expenditures and facility improvements	38,014	38,014	40,184	(2,170)
General and administrative expenditures	<u>425,079</u>	<u>425,079</u>	<u>386,211</u>	<u>38,868</u>
Total expenditures	<u>2,507,737</u>	<u>2,507,737</u>	<u>2,323,902</u>	<u>183,835</u>
Change in net position/increase of revenue over expenditures	<u>407,738</u>	<u>407,738</u>	<u>598,592</u>	<u>\$ 190,854</u>
<b>Net position/fund balance, beginning of the year</b>			<u>5,684,607</u>	
<b>Net position/fund balance, end of the year</b>			<u>\$ 6,283,199</u>	

Notes to Budgetary Comparison Schedule:

Budgets are prepared using a current financial resources measurement focus and the modified cash basis accounting.