

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

**FINANCIAL STATEMENTS AND
REPORT ON AUDIT BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

FOR THE YEAR ENDED JUNE 30, 2022



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PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2022
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Placentia Library District of Orange County's ability to continue as a going concern for twelve months beyond the financial statement date, including any known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.


We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the general fund budgetary comparison schedule be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 November 20, 2023, 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
November 20, 2023

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Management's Discussion and Analysis

For the Year Ended June 30, 2022

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, 2022. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements, which can be found on pages 10 -15 of this report.

Financial Highlights

- 📖 The assets of the District exceeded its liabilities at the close of the most recent year by \$7,265,200 (*net position*). Of this amount, \$2,725,834 (*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 \$548,214. This increase is mainly attributable to increase in impact fees received during the year, and an increase in property tax collected.
- 📖 As of the close of the current year, the District's general fund reported ending fund balance of \$3,597,116 an increase of \$595,416 in comparison with the prior year. Approximately 78 percent of this total amount, \$2,802,128 is available for spending at the government's discretion (*unassigned fund balance*).

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

For the Year Ended June 30, 2022

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 10 and 11 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

For the Year Ended June 30, 2022

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 \$7,265,200 at June 30, 2022.

Approximately 52.34 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				
	<u>2021-22</u>	<u>2020-21</u>	<u>\$ Change</u>	<u>% Change</u>
Current and other assets	\$3,727,570	\$3,115,043	\$612,527	19.66%
Capital assets	4,869,724	4,950,425	-80,701	-1.63%
Total Assets	<u>8,597,294</u>	<u>8,065,468</u>	<u>531,826</u>	<u>6.59%</u>
Noncurrent liabilities	1,183,767	1,216,682	-32,915	-2.71%
Other liabilities	148,327	131,800	16,527	12.54%
Total Liabilities	<u>1,332,094</u>	<u>1,348,482</u>	<u>-16,388</u>	<u>-1.22%</u>
Net position:				
Net investments in capital assets	3,802,676	3,848,503	-45,827	-1.19%
Restricted	736,690	473,772	262,918	55.49%
Unrestricted	<u>2,725,834</u>	<u>2,394,711</u>	<u>331,123</u>	<u>13.83%</u>
Total net position	<u>\$7,265,200</u>	<u>\$6,716,986</u>	<u>\$548,214</u>	<u>8.16%</u>

Unrestricted net position of \$2,725,834 may be used to meet the District’s ongoing obligations to citizens and creditors.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Management’s Discussion and Analysis

For the Year Ended June 30, 2022

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

- 📖 Increase in current and other assets of \$612,527 from the prior year is mainly due to an increase in property taxes, unspent grant revenues and large impact fee payments.
- 📖 The small percentage change in total liabilities demonstrates the stabilization of regular noncurrent and other liabilities.
- 📖 An increase of 55.49 percent in Restricted net position is due impact fees collected and unspent grant funding related to the bookmobile project.
- 📖 Increase in unrestricted funds of \$331,123 is due to increases in property taxes and passport revenue.

Placentia Library District of Orange County				
Statement of Activities				
Governmental Activities				
	<u>2021-22</u>	<u>2020-21</u>	<u>\$ Change</u>	<u>% Change</u>
Program Revenues:				
Charges for services	\$ 317,016	\$ 194,038	\$ 122,978	63.38%
Operating grants and contributions	187,527	551,501	(363,974)	-66.00%
Capital grants and contributions	262,918	-	262,918	-
Total Program Revenues	<u>767,461</u>	<u>745,539</u>	<u>21,922</u>	2.94%
General Revenues:				
Property taxes	2,888,746	2,816,075	72,671	2.58%
Unrestricted investment earnings and other	4,977	10,366	(5,389)	-51.99%
Total General Revenues	<u>2,893,723</u>	<u>2,826,441</u>	<u>67,282</u>	2.38%
Total Revenues	<u>3,661,184</u>	<u>3,571,980</u>	<u>89,204</u>	2.50%
Expenses:				
General government	3,074,460	2,709,936	364,524	13.45%
Interest	38,510	36,355	2,155	5.93%
Total Expenses	<u>3,112,970</u>	<u>2,746,291</u>	<u>366,679</u>	13.35%
Change in Net Position	548,214	825,689	(277,475)	-33.61%
Net position beginning of year	<u>6,716,986</u>	<u>5,891,297</u>	<u>825,689</u>	14.02%
Net position end of year	<u>\$ 7,265,200</u>	<u>\$ 6,716,986</u>	<u>\$ 548,214</u>	8.16%

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Management's Discussion and Analysis

For the Year Ended June 30, 2022

The government's net position increased by \$548,214. Key elements of the current year are an increase in property tax and passport revenue.

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, 2022, the District's general fund reported ending fund balance of \$3,597,116 an increase of \$595,416 in comparison with the prior year. Approximately 78 percent of the total fund balance, \$2,802,128 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 91 percent of total fund expenditures, and total fund balance represents 117 percent of that same amount.

Approximately 20 percent of the District's general fund balance is subject to external restrictions on how it may be used.

General Fund Budgetary Highlights

Current year revenues exceeded budget in the following areas:

-  Grant revenue exceeded the final budget by \$246,792 mainly due to an increase in grant applications and awarded grants.
-  Included as part of library income, the passport/photos revenue received exceeded final budget by over \$117,200 due to an increase in demand of passport renewals after Covid-19 restrictions were lifted.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2022, the District investments in capital assets totaled \$4,869,724. The District added \$51,521 in building improvements and \$16,208 in equipment during the current year. For additional information, see Note 3 to the financial statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Management's Discussion and Analysis

For the Year Ended June 30, 2022

Long-term Liabilities. At the end of the current year, the District had total noncurrent liabilities outstanding of \$1,183,767 which consists of District's obligation to its employees for compensated absences and the I-bank loan. For additional information, see Note 4 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- 📖 The assumption used in the Fiscal Year 2022-23 Budget was that the property valuation growth would increase by 12.0 percent.
- 📖 The District will receive another bookmobile grant payment from the California State Library.
- 📖 The cost of health benefits for employees is estimated to increase by 8.0 percent.
- 📖 Increase in materials budget of 10.0 percent
- 📖 The District may increase 3.0 percent in salaries due to cost of living adjustment.
- 📖 The District will receive a 100 percent increase in Workers Comp and Liability Insurance premiums.
- 📖 The District will provide salary increases for several positions as suggested by a compensation study.
- 📖 The District will procure services for several capital improvements including, outdoor library facility, loading dock, makerspace remodeling, and regular building maintenance services.

All of these factors were considered in preparing the District's budget for Fiscal Year 2022-2023

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.

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FINANCIAL STATEMENTS

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

STATEMENT OF NET POSITION

June 30, 2022

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 3,607,246
Taxes receivable	60,899
Interest receivable	1,127
Prepaid items	58,298
Capital assets, nondepreciable	81,498
Capital assets, net of accumulated depreciation	<u>4,788,226</u>
TOTAL ASSETS	<u>8,597,294</u>
LIABILITIES:	
Accounts payable	67,883
Accrued salaries	62,571
Interest payable	17,873
Noncurrent liabilities:	
Due within one year	76,771
Due in more than one year	<u>1,106,996</u>
TOTAL LIABILITIES	<u>1,332,094</u>
NET POSITION:	
Net investment in capital assets	3,802,676
Restricted for:	
Unspent impact fees	624,190
Unspent grants	112,500
Unrestricted	<u>2,725,834</u>
TOTAL NET POSITION	<u><u>\$ 7,265,200</u></u>

See accompanying notes to financial statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

STATEMENT OF ACTIVITIES

For the year ended June 30, 2022

	Program Revenues			Net Expenses and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental Activities:					
General government	\$ 3,074,460	\$ 317,016	\$ 187,527	\$ 262,918	\$ (2,306,999)
Interest on long-term debt	<u>38,510</u>	-	-	-	<u>(38,510)</u>
 Total Governmental Activities	 <u>\$ 3,112,970</u>	 <u>\$ 317,016</u>	 <u>\$ 187,527</u>	 <u>\$ 262,918</u>	 (2,345,509)
General Revenue:					
Property tax					2,888,746
Unrestricted investment income					<u>4,977</u>
Total general revenue					<u>2,893,723</u>
 Change in net position					548,214
 Net Position - Beginning of Year					<u>6,716,986</u>
 Net Position - End of Year					<u>\$ 7,265,200</u>

See accompanying notes to financial statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2022

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 3,607,246
Taxes receivable	60,899
Interest receivable	1,127
Prepaid items	<u>58,298</u>
 TOTAL ASSETS	 <u><u>\$ 3,727,570</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable	\$ 67,883
Accrued salaries	<u>62,571</u>
TOTAL LIABILITIES	130,454
FUND BALANCE:	
Nonspendable for:	
Prepaid Items	58,298
Restricted for:	
Unspent impact fees	624,190
Unspent grants	112,500
Unassigned	<u>2,802,128</u>
TOTAL FUND BALANCE	<u><u>3,597,116</u></u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 3,727,570</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, 2022

Fund Balance of the Governmental Fund	\$ 3,597,116
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	4,869,724
Long-term debt and related items that have not been included in the governmental fund activity:	
Loan payable	(1,067,048)
Accrued interest payable for the current portion of interest due on loan payable are not reported in the governmental funds	(17,873)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the fund financial statements	<u>(116,719)</u>
Net Position of the Governmental Activities	<u><u>\$ 7,265,200</u></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, 2022

	General Fund
REVENUES:	
Property taxes	\$ 2,888,746
Grants and other contributions	300,027
Library income	317,016
Impact fees	150,418
Interest income	4,977
TOTAL REVENUES	<u>3,661,184</u>
EXPENDITURES:	
Current:	
General Government:	
Salaries and employee benefits	2,006,115
Office and administration	151,871
Books and library materials	303,996
Professional services	233,372
Maintenance	178,165
Library program	49,030
Miscellaneous	1,338
Capital outlay	67,913
Debt Service:	
Principal retirement	34,874
Interest and fiscal charges	39,094
TOTAL EXPENDITURES	<u>3,065,768</u>
NET CHANGE IN FUND BALANCE	595,416
FUND BALANCE - BEGINNING OF YEAR	<u>3,001,700</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 3,597,116</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, 2022

Net Change in Fund Balance of the Governmental Fund		\$ 595,416
<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	\$ 67,729	
Depreciation expense	<u>(148,430)</u>	(80,701)
<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		34,874
<p>Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period</p>		
		584
<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>(1,959)</u>
Change in Net Position of Governmental Activities		<u><u>\$ 548,214</u></u>

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2022

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.

In the government-wide financial statements, net position may be classified in the following components:

Net Investment in Capital Assets – This component consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the capital assets.

Restricted Net Position – This component is restricted by external creditors, grantors, contributors, laws, or regulations of other governments.

Unrestricted Net Position – This component is net position that does not meet the definition of “net investment in capital assets” or “restricted net position” as defined above.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2022

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 fund financial statements are presented 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.

The general fund reports 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, 2022, the fund balance for the general fund is made up of the following classifications:

Nonspendable Fund Balance: This includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally contractually required to be maintained intact.

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.

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.

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

b. Significant Accounting Policies (Continued)

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 to report.

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 to report.

Investments

Investments are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.. 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. Investment earnings, including changes in the fair value of investments, are recognized as revenue in the operating statement.

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.

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

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

b. Significant Accounting Policies (Continued)

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 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.

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.

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.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Notes to Financial Statements
June 30, 2022

2. CASH AND INVESTMENTS

Cash and Investments

Cash and investments consist of the following at June 30, 2022:

Deposits with financial institutions	\$ 2,805,654
Orange County Investment Pool	801,592
Total cash and investments	<u>\$ 3,607,246</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

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, 2022.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2022

2. CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk (Continued)

	Maturity in Years
	Less Than 1 Year
Orange County Investment Pool	\$ 801,592

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 2021, Standard & Poor’s Rating Services reaffirmed its AAA 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 other than the OCIP that represent 5% or more of total investments.

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, 2022, 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.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Notes to Financial Statements
June 30, 2022

2. CASH AND INVESTMENTS (CONTINUED)

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.

3. CAPITAL ASSETS

Capital assets consist of the following at June 30, 2022:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets, not being depreciated:				
Land	\$ 81,498	\$ -	\$ -	\$ 81,498
Total capital assets, not being depreciated	81,498	-	-	81,498
Capital assets, being depreciated:				
Building and other improvements	5,715,687	51,521	-	5,767,208
Equipment and furniture	1,875,291	16,208	(32,371)	1,859,128
Total capital assets, being depreciated	7,590,978	67,729	(32,371)	7,626,336
Less accumulated depreciation for:				
Buildings and improvements	(1,869,142)	(109,553)	-	(1,978,695)
Equipment and furniture	(852,909)	(38,877)	32,371	(859,415)
Total accumulated depreciation	(2,722,051)	(148,430)	32,371	(2,838,110)
Total capital assets, being depreciated, net	4,868,927	(80,701)	-	4,788,226
Total capital assets, net	<u>\$ 4,950,425</u>	<u>\$ (80,701)</u>	<u>\$ -</u>	<u>\$ 4,869,724</u>

Depreciation expense for depreciable capital assets was \$148,430 in 2022.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2022

4. LONG-TERM LIABILITIES

Long-term liabilities consist of the following at June 30, 2022:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year	Due in More Than One Year
Direct Borrowings						
Loan Payable	\$ 1,101,922	\$ -	\$ (34,874)	\$ 1,067,048	\$ 36,025	\$ 1,031,023
Other Long-Term Liabilities						
Compensated Absences	114,760	155,472	(153,513)	116,719	40,746	75,973
Total	<u>\$ 1,216,682</u>	<u>\$ 155,472</u>	<u>\$ (188,387)</u>	<u>\$ 1,183,767</u>	<u>\$ 76,771</u>	<u>\$ 1,106,996</u>

Compensated Absences

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

Loan Payable

On May 1, 2018, the District entered into a twenty-year loan with California Infrastructure and Economic Development Bank to fund energy-efficient improvements to the District’s facilities. Under the terms of the loan, the District may borrow up to \$1,200,000 or the eligible costs of the project. At June 30, 2022, the District has drawn down the entire balance of the loan. The loan 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, 2022, the outstanding principal amount was \$1,067,048.

The debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 36,025	\$ 34,618	\$ 70,643
2024	37,213	33,410	70,623
2025	38,442	32,162	70,604
2026	39,710	30,871	70,581
2027	41,021	29,540	70,561
2028 - 2032	226,324	126,127	352,451
2033 - 2037	266,215	85,580	351,795
2038 - 2042	313,137	37,883	351,020
2043	68,961	1,138	70,099
Total	<u>\$ 1,067,048</u>	<u>\$ 411,329</u>	<u>\$ 1,478,377</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.

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.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2022

5. DEFINED CONTRIBUTION PLAN (CONTINUED)

Plan Description (Continued)

(3) Continued)

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, 2022, the District contributed \$68,559 (pension expense). At June 30, 2022, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2022.

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, 2022, the District's insurance coverages were as follows:

Property Loss - Buildings and business personal property insured for up to \$800,000,000 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/Public Officials Dishonesty - Insured for up to \$1,000,000 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.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2022

6. RISK MANAGEMENT (CONTINUED)

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.

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 2022, the District paid \$25,205 and \$0 for landscape and outside maintenance, and utilities, respectively.

8. COMMITMENTS AND CONTINGENCIES

Litigation

There are potential lawsuits in which the District may be involved. The District's management is not aware of any such litigation that would materially affect the operations or financial condition of the District.

Grants

Amounts received or receivable from granting agencies are subject to audit and adjustments by grantor agencies. While no matters of non-compliance were disclosed by the audit of the financial statements, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have material adverse effect on the financial position of the District.

REQUIRED SUPPLEMENTARY INFORMATION

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:				
Property taxes	\$ 2,927,466	\$ 2,927,466	\$ 2,888,746	\$ (38,720)
Grants and other contributions	50,000	50,000	300,027	250,027
Library income	168,000	168,000	317,016	149,016
Impact fees	250,000	250,000	150,418	(99,582)
Interest income	8,500	8,500	4,977	(3,523)
Other	73,900	73,900	-	(73,900)
TOTAL REVENUES	3,477,866	3,477,866	3,661,184	183,318
EXPENDITURES:				
Current:				
General government:				
Salaries and employee benefits	2,282,481	2,282,481	2,006,115	276,366
Office and administration	214,244	214,244	151,871	62,373
Books and library materials	257,455	257,455	303,996	(46,541)
Professional and special services	112,189	112,189	233,372	(121,183)
Maintenance	157,921	157,921	178,165	(20,244)
Library program	6,769	6,769	49,030	(42,261)
Miscellaneous	15,000	15,000	1,338	13,662
Capital outlay	23,000	23,000	67,913	(44,913)
Debt service:				
Principal retirement	33,000	33,000	34,874	(1,874)
Interest and fiscal charges	40,968	40,968	39,094	1,874
TOTAL EXPENDITURES	3,143,027	3,143,027	3,065,768	77,259
NET CHANGE IN FUND BALANCE	334,839	334,839	595,416	260,577
FUND BALANCE - BEGINNING OF YEAR	3,001,700	3,001,700	3,001,700	-
FUND BALANCE - END OF YEAR	\$ 3,336,539	\$ 3,336,539	\$ 3,597,116	\$ 260,577

See accompanying note to required supplementary information.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Note to Required Supplementary Information

June 30, 2022

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.



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