

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

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

FOR THE YEAR ENDED JUNE 30, 2023



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://www.CLAconnect.com)

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2023
Table of Contents

	<u>Page Number</u>
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis (Required Supplementary Information)	4 - 9
Financial Statements:	
Government-wide:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Fund	12
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	15
Notes to Financial Statements	16
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund	29
Note to Required Supplementary Information	30
Schedule of Changes in the Net OPEB Liability and Related Ratios	31



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, 2023, 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, 2023, 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.

Emphasis of Matter - Change in Accounting Principle

As described in Note 1 to the financial statements, effective July 1, 2022, the District adopted new accounting guidance, Statement of Governmental Accounting Standards Board (GASB Statement) No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Correction of an Error

As described in Note 10 to the financial statements, beginning net position has been restated for a correction of an error. Our opinion is not modified with respect to this matter.

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.

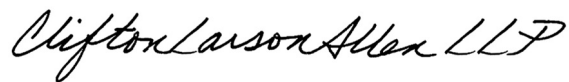
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 July 22, 2024, 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
July 22, 2024

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Management's Discussion and Analysis

For the Year Ended June 30, 2023

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, 2023. 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 \$7,756,555 (*net position*). Of this amount, \$2,549,022 (*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 \$537,791. 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 \$4,158,571, an increase of \$561,455 in comparison with the prior year. Approximately 62.5 percent of this total amount, \$2,599,470, 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 required supplementary information in addition to the basic financial statements themselves.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2023

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 schedule has been provided for the general fund as required supplementary information to demonstrate compliance with this budget.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Management’s Discussion and Analysis (Continued)

For the Year Ended June 30, 2023


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 \$7,756,555 at June 30, 2023.

Approximately 49.6 percent of the District’s net position reflects its net investment in capital assets (e.g., land, buildings, furniture and equipment, and subscriptions), 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				
	2022-23	2021-22	\$ Change	% Change
Current and other assets	\$4,295,881	\$3,727,570	\$568,311	15.25%
Capital assets	4,813,758	4,869,724	-55,966	-1.15%
Total Assets	<u>9,109,639</u>	<u>8,597,294</u>	<u>512,345</u>	<u>5.96%</u>
Noncurrent liabilities	1,198,504	1,183,767	14,737	1.24%
Other liabilities	154,580	148,327	6,253	4.22%
Total Liabilities	<u>1,353,084</u>	<u>1,332,094</u>	<u>20,990</u>	<u>1.58%</u>
Net position:				
Net investments in capital assets	3,849,489	3,802,676	46,813	1.23%
Restricted	1,358,044	736,690	621,354	84.34%
Unrestricted	2,549,022	2,725,834	-176,812	-6.49%
Total net position	<u>\$7,756,555</u>	<u>\$7,265,200</u>	<u>\$491,355</u>	<u>6.76%</u>

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

-  -For increase in current and other assets, we also experienced an increase in grant revenue as well due to receiving the Building Forward Grant (\$48,329) and the Outdoor Library Grant (\$400,000), and final pay out of the Bookmobile Grant (\$112,500).

-  An increase of 84.34 percent in Restricted net position is due an increase in unspent impact fees collected and unspent grant funding from the grant noted above.



PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Management’s Discussion and Analysis (Continued)

For the Year Ended June 30, 2023

Placentia Library District of Orange County				
Statement of Activities				
Governmental Activities				
	<u>2022-23</u>	<u>2021-22</u>	<u>\$ Change</u>	<u>% Change</u>
Program Revenues:				
Charges for services	\$ 270,020	\$ 317,016	\$ (46,996)	-14.82%
Operating grants and contributions	276,445	187,527	88,918	47.42%
Capital grants and contributions	561,829	262,918	298,911	113.69%
Total Program Revenues	<u>1,108,294</u>	<u>767,461</u>	<u>340,833</u>	44.41%
General Revenues:				
Property taxes	3,183,254	2,888,746	294,508	10.20%
Unrestricted investment earnings and other	19,779	4,977	14,802	297.41%
Total General Revenues	<u>3,203,033</u>	<u>2,893,723</u>	<u>309,310</u>	10.69%
Total Revenues	<u>4,311,327</u>	<u>3,661,184</u>	<u>650,143</u>	17.76%
Expenses:				
General government	3,736,320	3,074,460	661,860	21.53%
Interest	37,216	38,510	(1,294)	-3.36%
Total Expenses	<u>3,773,536</u>	<u>3,112,970</u>	<u>660,566</u>	21.22%
Change in Net Position	537,791	548,214	(10,423)	-1.90%
Net position beginning of year, as restated	<u>7,218,764</u>	<u>6,716,986</u>	<u>501,778</u>	7.47%
Net position end of year	<u>\$ 7,756,555</u>	<u>\$ 7,265,200</u>	<u>\$ 491,355</u>	6.76%

The government’s net position increased by \$491,355. The key elements of the current year are as follows:

-  Significant increase in grant revenue for construction projects related to the loading dock and outdoor library space and the acquisition of a bookmobile.
-  Increase in property taxes and library impact fees

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2023

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, 2023, the District's general fund reported ending fund balance of \$4,158,571 an increase of \$561,455 in comparison with the prior year. Approximately 62.5 percent of the total fund balance, \$2,599,470 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 69.1 percent of total fund expenditures, and total fund balance represents 110.5 percent of that same amount.

Approximately 32.7 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 \$325,996 mainly due to receiving the Building Forward Grant (\$48,329) and the Outdoor Library Grant (\$400,000), and final pay out of the Bookmobile Grant (\$112,500).
-  Property taxes exceeded the final budget by \$137,599 due to increased collections from the County of Orange.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2023, the District investments in capital assets totaled \$4,813,758. The District added \$50,078 in building improvements, \$37,664 in equipment, and \$26,467 in subscriptions 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 (Continued)

For the Year Ended June 30, 2023

Long-term Liabilities. At the end of the current year, the District had total noncurrent liabilities outstanding of \$1,132,458 which consists of District’s obligation to its employees for compensated absences, the I-bank loan, and subscriptions payable. 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 2023-24 Budget was that the property valuation growth would increase by 11.15 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 13.32 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 capital projects related to the outdoor library facility and loading dock.

All of these factors were considered in preparing the District’s budget for Fiscal Year 2023-2024.

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.

INTENTIONALLY LEFT BLANK

FINANCIAL STATEMENTS

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

STATEMENT OF NET POSITION

June 30, 2023

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 4,024,190
Taxes receivable	68,117
Interest receivable	2,517
Deposits	53,160
Prepaid items	147,897
Capital assets, nondepreciable/nonamortizable	81,498
Capital assets, net of accumulated depreciation/amortization	<u>4,732,260</u>
TOTAL ASSETS	9,109,639
LIABILITIES:	
Accounts payable	63,761
Accrued salaries	73,549
Interest payable	17,270
Noncurrent liabilities:	
Due within one year	81,636
Due in more than one year	<u>1,116,868</u>
TOTAL LIABILITIES	1,353,084
NET POSITION:	
Net investment in capital assets	3,849,489
Restricted for:	
Unspent impact fees	796,215
Unspent grants	561,829
Unrestricted	<u>2,549,022</u>
TOTAL NET POSITION	<u><u>\$ 7,756,555</u></u>

See accompanying notes to financial statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

STATEMENT OF ACTIVITIES

For the year ended June 30, 2023

	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	\$ 3,736,320	\$ 270,020	\$ 104,421	\$ 733,853	\$ (2,628,026)
Interest on long-term debt	37,216	-	-	-	(37,216)
 Total Governmental Activities	\$ 3,773,536	\$ 270,020	\$ 104,421	\$ 733,853	(2,665,242)
 General Revenue:					
Property tax					3,183,254
Unrestricted investment income					19,779
Total general revenue					3,203,033
 Change in net position					537,791
 Net Position - Beginning of Year, as restated					7,218,764
 Net Position - End of Year					\$ 7,756,555

See accompanying notes to financial statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2023

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 4,024,190
Taxes receivable	68,117
Interest receivable	2,517
Deposits	53,160
Prepaid items	<u>147,897</u>
 TOTAL ASSETS	 <u><u>\$ 4,295,881</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable	\$ 63,761
Accrued salaries and benefits	73,549
TOTAL LIABILITIES	<u>137,310</u>
FUND BALANCE:	
Nonspendable for:	
Prepaid items and deposits	201,057
Restricted for:	
Unspent impact fees	796,215
Unspent grants funds	561,829
Unassigned	2,599,470
TOTAL FUND BALANCE	<u>4,158,571</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 4,295,881</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, 2023

Fund Balance of the Governmental Fund	\$ 4,158,571
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	4,813,758
Long-term debt and related items that have not been included in the governmental fund activity:	
Loan payable	(1,031,023)
Subscriptions payable	(14,745)
Accrued interest payable for the current portion of interest due on loan payable are not reported in the governmental funds	(17,270)
The net OPEB liability is not due and payable in the current period; therefore, it is not reported in the fund financial statements.	(36,745)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the fund financial statements	<u>(115,991)</u>
Net Position of the Governmental Activities	<u>\$ 7,756,555</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, 2023

	<u>General Fund</u>
REVENUES:	
Property taxes	\$ 3,183,254
Grants and other contributions	666,250
Library income	269,988
Impact fees	172,024
Interest income	19,779
Other	<u>32</u>
 TOTAL REVENUES	 4,311,327
EXPENDITURES:	
Current:	
General Government:	
Salaries and employee benefits	2,335,839
Office and administration	286,736
Books and library materials	505,216
Professional services	284,088
Maintenance	149,874
Library program	10,248
Capital outlay	118,772
Debt Service:	
Principal retirement	36,025
Interest and fiscal charges	37,819
TOTAL EXPENDITURES	<u>3,764,617</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	 546,710
OTHER FINANCING SOURCES:	
Subscription proceeds	<u>14,745</u>
 NET CHANGE IN FUND BALANCE	 561,455
 FUND BALANCE - BEGINNING OF YEAR	 <u>3,597,116</u>
 FUND BALANCE - END OF YEAR	 <u>\$ 4,158,571</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, 2023

Net Change in Fund Balance of the Governmental Fund		\$ 561,455
<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	\$ 114,209	
Depreciation/amortization expense	<u>(170,175)</u>	(55,966)
<p>Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities and the issuance increases long-term liabilities in the statement of net position:</p>		
Subscriptions proceeds		(14,745)
Repayment of loan principal		36,025
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>		
Accrued interest on long-term liabilities.	603	
Compensated absences	728	
Changes in OPEB liability	<u>9,691</u>	
		<u>11,022</u>
Change in Net Position of Governmental Activities		<u><u>\$ 537,791</u></u>

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2023

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, 2023

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, 2023, 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.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2023

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

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2023

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

b. Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include land, buildings and improvements, equipment and furniture, and subscriptions 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.

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. Right-to-use subscription assets are amortized on a straight-line basis over the subscription terms of the agreements which is currently 2 to 3 years.

Subscriptions

The District is a lessee for noncancellable subscription-based information technology arrangements (SBITA). The District recognizes a subscription liability and an intangible right-to-use subscription asset (subscription) in the financial statements. At the commencement of a subscription, the District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs.

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, 2023

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City’s OPEB Plan and additions to/deductions from the OPEB Plans’ fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the City’s OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Adoption of New Accounting Standards

In May 2020, the GASB issued GASB Statement No. 96. Subscription-Based Information Technology Arrangements. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA. The District adopted the requirement of the guidance effective July 1, 2022 and has applied the provisions of this standard to the beginning of the fiscal year.

2. CASH AND INVESTMENTS

Cash and Investments

Cash and investments consist of the following at June 30, 2023:

Deposits with financial institutions	\$ 3,208,590
Orange County Investment Pool	815,600
Total cash and investments	<u>\$ 4,024,190</u>

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

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

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

N/A - Not Applicable

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2023

2. CASH AND INVESTMENTS (CONTINUED)

Disclosures Relating to Interest Rate Risk

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

Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity as of June 30, 2023.

	Maturity in Years
	Less Than 1 Year
Orange County Investment Pool	\$ 815,600

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 March 2022, Standard & Poor’s Rating Services reaffirmed its AAAM Principal Stability Fund Rating for the Orange County Investment Pool (OCIP). The OCIP is not registered with the Securities and Exchange Commission.

Concentration of Credit Risk

Concentration of credit is the risk of loss attributed to the magnitude to the District’s investment in a single issue. The District’s investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer 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, 2023, the District’s deposits (bank balances) were insured by the Federal Deposit Insurance Corporation or collateralized as required under California law.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2023

2. CASH AND INVESTMENTS (CONTINUED)

District Investments in Orange County Investment Pool

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

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices of similar assets in active markets, and Level 3 inputs are significant unobservable inputs. The District's investments in the OCIP are not subject to the fair value hierarchy.

3. CAPITAL ASSETS

Capital assets consist of the following at June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets, not being depreciated:				
Land	\$ 81,498	\$ -	\$ -	\$ 81,498
Total capital assets, not being depreciated	81,498	-	-	81,498
Capital assets, being depreciated/amortized:				
Building and other improvements	5,767,208	50,078	-	5,817,286
Equipment and furniture	1,859,128	37,664	-	1,896,792
Subscriptions	-	26,467	-	26,467
Total capital assets, being depreciated/amortized	7,626,336	114,209	-	7,740,545
Less accumulated depreciation/amortization for:				
Buildings and improvements	(1,978,695)	(130,045)	-	(2,108,740)
Equipment and furniture	(859,415)	(32,402)	-	(891,817)
Subscriptions	-	(7,728)	-	(7,728)
Total accumulated depreciation/amortization	(2,838,110)	(170,175)	-	(3,008,285)
Total capital assets, being depreciated/ amortized, net	4,788,226	(55,966)	-	4,732,260
Total capital assets, net	<u>\$ 4,869,724</u>	<u>\$ (55,966)</u>	<u>\$ -</u>	<u>\$ 4,813,758</u>

Depreciation/amortization expense for depreciable/amortizable capital assets was \$170,175 in 2023.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2023

4. LONG-TERM LIABILITIES

Long-term liabilities consist of the following at June 30, 2023:

	Balance July 1, 2022 as restated (1)	Additions	Deletions	Balance June 30, 2023	Due Within One Year	Due in More Than One Year
Direct Borrowings						
Loan Payable	\$ 1,067,048	\$ -	\$ (36,025)	\$ 1,031,023	\$ 37,213	\$ 993,810
Other Long-Term Liabilities						
Subscriptions payable	-	14,745	-	14,745	7,309	7,436
Net OPEB liability	46,436	-	(9,691)	36,745	-	36,745
Compensated Absences	116,719	101,388	(102,116)	115,991	37,114	78,877
Total	<u>\$ 1,230,203</u>	<u>\$ 116,133</u>	<u>\$ (147,832)</u>	<u>\$ 1,198,504</u>	<u>\$ 81,636</u>	<u>\$ 1,116,868</u>

(1) Beginning balance has been restated for inclusion of a net OPEB liability not previously reported. See Note 6.

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, 2023, 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, 2023, the outstanding principal amount was \$1,031,023.

The debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
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	42,374	28,164	70,538
2029 - 2033	233,793	118,535	352,328
2034 - 2038	275,000	76,650	351,650
2039 - 2043	323,470	27,379	350,849
Total	<u>\$ 1,031,023</u>	<u>\$ 376,711</u>	<u>\$ 1,407,734</u>

Subscriptions Payable

The District has entered into subscription based-information technology arrangements (SBITAs) for various software. The SBITA arrangements expire at various dates through 2025 and provide for renewal options. The future subscription payments under SBITA agreements for 2024 and 2025 are \$7,560 (\$7,309 principal and \$251 interest) and \$7,560 (\$7,436 principal and \$124 interest), respectively.

Compensated Absences

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

5. DEFINED CONTRIBUTION PLAN

Pension Plan Description

The District's employees participate in a defined contribution pension plan administered by Public Agency Retirement Services (PARS). 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.

5. DEFINED CONTRIBUTION PLAN (CONTINUED)

Pension 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, 2023, the District contributed \$67,615 (pension expense). At June 30, 2023, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2023.

6. DEFINED BENEFIT PLAN

Other Postemployment Benefit Plan Description

The District's library director is entitled to have the District pay retiree medical insurance premiums up to \$30,000 per year for director and the director's dependents for the three years between ages 62 – 65 provided the director is employed for a minimum of 20 years and remain in continuous employment until separation of employment with the District. To assist in the funding of this Plan, a Section 115 trust has been established and is administered by PARS. The plan was established by resolution of the Board of Trustees and may be amended by approval of the Board of Trustees.

The plan does not call for any required contributions, however, the District did make a voluntary contribution of \$11,250 to the Section 115 trust during the current year.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an estimate made by management. The principal assumptions used to determine the total OPEB liability were a discount rate of 4.04% based on the 20-year US Treasury bond yield, a vesting rate of 75% in the present value of the benefits, and the presumption that the participant will meet all the requirements to receive the maximum benefits.

The discount rate used to measure the total OPEB liability is based on the assumption that fiduciary net position was projected to be available to make all projected OPEB payments. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The long-term expected rate of return was set at 4.04% equal to the 20-year US Treasury bond yield since as of the beginning of the year, there were no assets held in the Section 115 trust.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2023

6. DEFINED BENEFIT PLAN (CONTINUED)

Changes in the Net OPEB Liability

The changes in the net OPEB Liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2022 (June 30, 2022 Measurement Date)	\$ 46,436	\$ -	\$ 46,436
Changes in the Year:			
Service Cost	6,405	-	6,405
Interest on the Total OPEB Liability	1,616	-	1,616
Changes in Assumptions	(5,129)	-	(5,129)
Changes in Benefit Terms	-	-	-
Contribution - Employer	-	11,250	(11,250)
Net Investment Income	-	1,381	(1,381)
Benefit Payments	-	-	-
Administrative Expenses	-	(48)	48
Net Changes	<u>2,892</u>	<u>12,583</u>	<u>(9,691)</u>
Balance at June 30, 2023 (June 30, 2023 Measurement Date)	<u>\$ 49,328</u>	<u>\$ 12,583</u>	<u>\$ 36,745</u>

Changes of Assumptions

The discount rate changed from 3.48% to 4.04%.

Change of Benefit Terms

There were no changes in benefit terms.

Sensitivity of the Net OPEB liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (3.04%)	Discount Rate (4.04%)	1% Increase (5.04%)
Net OPEB Liability	\$ 40,716	\$ 36,745	\$ 33,076

OPEB Expense

For the current year, the District recognized OPEB expense of \$2,892.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2023

7. 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, 2023, the District's insurance coverages were as follows:

Property Loss - Buildings and business personal property insured for up to \$1,000,000,000 with deductibles ranging from \$1,000 to \$500,000 per occurrence limited to insurable value depending on the type of loss.

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 \$10,000 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 \$1,000,000 per accident with no deductible.

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

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

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

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

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2023

8. 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 2023, the District paid \$22,401 and \$0 for landscape and outside maintenance, and utilities, respectively.

9. 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.

10. NET POSITION RESTATEMENT

Beginning net position has been decreased from \$7,265,200 to \$7,218,764 as a result of including the effect of a defined benefit OPEB plan of \$46,436, not previously reported. See Note 6 for more details of the defined benefit OPEB Plan.

REQUIRED SUPPLEMENTARY INFORMATION

INTENTIONALLY LEFT BLANK

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:				
Property taxes	\$ 3,045,655	\$ 3,045,655	\$ 3,183,254	\$ 137,599
Grants and other contributions	340,254	340,254	666,250	325,996
Library income	289,375	289,375	269,988	(19,387)
Impact fees	112,189	112,189	172,024	59,835
Interest income	8,500	8,500	19,779	11,279
Other	73,900	73,900	32	(73,868)
TOTAL REVENUES	3,869,873	3,869,873	4,311,327	441,454
EXPENDITURES:				
Current:				
General government:				
Salaries and employee benefits	3,060,562	3,060,562	2,335,839	724,723
Office and administration	352,198	352,198	286,736	65,462
Books and library materials	535,000	535,000	505,216	29,784
Professional and special services	317,505	317,505	284,088	33,417
Maintenance	230,000	230,000	149,874	80,126
Library program	400,000	400,000	10,248	389,752
Capital outlay	634,000	634,000	118,772	515,228
Debt service:				
Principal retirement	36,025	36,025	36,025	-
Interest and fiscal charges	37,943	37,943	37,819	124
TOTAL EXPENDITURES	5,603,233	5,603,233	3,764,617	1,838,616
NET CHANGE IN FUND BALANCE	(1,733,360)	(1,733,360)	561,455	2,294,815
FUND BALANCE - BEGINNING OF YEAR	3,597,116	3,597,116	3,597,116	-
FUND BALANCE - END OF YEAR	\$ 1,863,756	\$ 1,863,756	\$ 4,158,571	\$ 2,294,815

See accompanying note to required supplementary information.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Note to Required Supplementary Information

June 30, 2023

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.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years*

Fiscal Year End	6/30/2023
Measurement Date	6/30/2023
Total OPEB Liability:	
Service Cost	\$ 6,405
Interest on Total OPEB Liability	1,616
Changes of Assumptions	(5,129)
Benefit Payments	<u>-</u>
Net Change in Total OPEB Liability	2,892
Total OPEB Liability - Beginning of Year	<u>46,436</u>
Total OPEB Liability - End of Year (a)	<u>49,328</u>
Plan Fiduciary Net Position:	
Contributions - Employer	11,250
Net Investment Income (Loss)	1,381
Administrative Expenses	(48)
Benefit Payments	<u>-</u>
Net Change in Plan Fiduciary Net Position	12,583
Plan Fiduciary Net Position - Beginning of Year	<u>-</u>
Plan Fiduciary Net Position - End of Year (b)	<u>12,583</u>
Net OPEB Liability - Ending (a)-(b)	<u>\$ 36,745</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	25.51%
Covered - Employee Payroll	\$ 200,484
Net OPEB Liability as Percentage of Covered - Employee Payroll	18.33%

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

There discount rate changed from 3.48% to 4.04%

* Fiscal year 2023 was the first year of presentation; therefore, only one year is shown.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.