Altadena Library District

Altadena, California

Annual Financial Report

For the Year Ended June 30, 2017

THE PUN GROUP
ACCOUNTANTS & ADVISORS

Altadena Library District
Annual Financial Report
For the Year Ended June 30, 2017

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
of the Altadena Library District
Altadena, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of the Altadena Library District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District, as of June 30, 2017, 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.

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To the Board of Trustees
of the Altadena Library District
Altadena, California

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 9 and the Budgetary Comparison Schedule – General Fund, Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, Schedule of the District's Contributions to the Pension Plan, and the Schedule of Funding Progress – Other Post-Employment Benefit Plan on pages 47 through 50, respectively, are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, 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 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 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.

Santa Ana, California
October 31, 2017

THE PUN GROUP
ACCOUNTANTS & ADVISORS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

To the Board of Trustees
of the Altadena Library District
Altadena, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Altadena Library District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 31, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

To the Board of Trustees
of the Altadena Library District
Altadena, California

Purpose of this Report

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

Santa Ana, California
October 31, 2017

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Altadena Library District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased 41.09%, or $578,571 from the prior year's net position of $1,408,151 to $1,986,722, as a result of this year's operations.
- Total revenues from all sources increased by 15.46%, or $499,992 from $3,234,907 to $3,734,899, from the prior year, primarily due to an increase of $149,549 in property taxes and $364,969 in operating grants and contributions.
- Total expenses for the District's operations increased by 11.55% or $326,790 from $2,829,538 to $3,156,328, from the prior year, primarily due to a $100,716 increase in salaries and benefits expense and a $199,720 increase in materials and supplies expense.

Using This Financial Report

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

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

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

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

Governmental Funds Financial Statements

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

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

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

Notes to the Basic Financial Statements

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

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 and deferred outflows resources of the District exceeded liabilities and deferred inflows of resources by $1,986,722 as of June 30, 2017.

Condensed Statement of Net Position

	June 30, 2017	June 30, 2016	Change
Assets:			
Current assets	$ 3,048,373	$ 2,858,200	$ 190,173
Non-current assets	18,314	-	18,314
Capital assets, net	848,763	482,932	365,831
Total assets	3,915,450	3,341,132	574,318
Deferred outflows of resources	506,542	166,749	339,793
Liabilities:			
Current liabilities	111,553	53,256	58,297
Non-current liabilities	2,004,959	1,611,345	393,614
Total liabilities	2,116,512	1,664,601	451,911
Deferred inflows of resources	318,758	435,129	(116,371)
Net position:			
Investment in capital assets	848,763	482,932	365,831
Unrestricted	1,137,959	925,219	212,740
Total net position	$ 1,986,722	$ 1,408,151	$ 578,571

At the end of fiscal year 2017, the District shows a positive balance in its unrestricted net position of $1,137,959 that may be utilized in future years.

Condensed Statement of Activities

	June 30, 2017	June 30, 2016	Change
Program revenues	$ 1,354,176	$ 989,207	$ 364,969
Expenses	(3,156,328)	(2,829,538)	(326,790)
Net program expense	(1,802,152)	(1,840,331)	38,179
General revenues	2,380,723	2,245,700	135,023
Change in net position	578,571	405,369	173,202
Net position:			
Beginning of year	1,408,151	1,002,782	405,369
End of year	$ 1,986,722	$ 1,408,151	$ 578,571

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, net position increased by $578,571, during the fiscal year ended June 30, 2017.

Total Revenues:

	June 30, 2017	June 30, 2016	Increase (Decrease)
Program revenues:			
Special assessments	$ 780,605	$ 751,500	$ 29,105
Charges for services	103,467	116,652	(13,185)
Operating grants and contributions	470,104	121,055	349,049
Total program revenues	1,354,176	989,207	364,969
General revenues:			
Property taxes	2,359,805	2,210,256	149,549
Investment earnings	6,352	16,082	(9,730)
Other revenues	14,566	19,362	(4,796)
Total general revenues	2,380,723	2,245,700	135,023
Total revenues	$ 3,734,899	$ 3,234,907	$ 499,992

Total revenues from all sources increased by 15.46%, or $499,992 from $3,234,907 to $3,734,899, from the prior year, primarily due to an increase of $149,549 in property taxes and $364,969 in operating grants and contributions.

Total Expenses:

	June 30, 2017	June 30, 2016	Increase (Decrease)
Expenses:			
Salaries and benefits	$ 2,024,058	$ 1,923,342	$ 100,716
Materials and supplies	1,087,224	887,504	199,720
Depreciation expense	45,046	18,692	26,354
Total expenses	$ 3,156,328	$ 2,829,538	$ 326,790

Total expenses for the District's operations increased by 11.55% or $326,790 from $2,829,538 to $3,156,328, from the prior year, primarily due to a $100,716 increase in salaries and benefits expense and a $199,720 increase in materials and supplies expense.

Governmental Funds Financial Analysis

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

As of June 30, 2017, the District reported a total fund balance of $2,949,749. An amount of $2,895,566 constitutes the District's *unassigned fund balance,* which is available for future expenditures.

General Fund Budgetary Highlights

The final budgeted expenditures for the District at year-end were $113,342 less than actual. The variance is principally due to a decrease in expenditures for salaries and benefits and capital outlay than budgeted. Actual revenues were greater than the anticipated budget by $148,025.

Capital Asset Administration

Changes in capital assets for the year were as follows:

	Balance June 30, 2017	Balance June 30, 2016
Capital assets:		
Non-depreciable assets	$ 179,780	$ 252,605
Depreciable assets	2,348,178	1,864,476
Accumulated depreciation	(1,679,195)	(1,634,149)
Total capital assets, net	$ 848,763	$ 482,932

At the end of fiscal year 2017, the District's investment in capital assets amounted to $848,763 (net of accumulated depreciation). This investment in capital assets includes structures, improvements and equipment. Major capital asset additions during the year include various ongoing structural improvements of $385,148 and furniture and equipment totaling $25,729.

See Note 3 for further information on the District's capital assets.

Economic and Other Factors Effecting Next Year's Operations and Budget

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

Contacting the District's Financial Management Team

The financial report is designed to provide the District's present users with a general overview of the District's finances and to demonstrate the District's accountability with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional information, please contact Library Director, Mindy Kittay at (626) 798-0833.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Altadena Library District
Statement of Net Position
June 30, 2017

ASSETS	
Current assets:	
Cash and investments (Note 2)	$ 2,957,905
Property taxes and assessments receivable	72,034
Accounts receivable – other	15,967
Prepaid items	2,467
Total current assets	3,048,373
Non-current assets:	
Net other post-employment benefits obligations (Note 5)	18,314
Capital assets – not being depreciated (Note 3	179,780
Capital assets – being depreciated, net (Note 3)	668,983
Total non-current assets	867,077
Total assets	3,915,450
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to net pension liability (Note 6)	506,542
Total deferred outflows of resources	506,542
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	70,398
Accrued salaries and benefits	28,226
Long-term liabilities – due in one year:	
Compensated absences (Note 4)	12,929
Total current liabilities	111,553
Non-current liabilities:	
Long-term liabilities – due in more than one year:	
Compensated absences (Note 4)	38,787
Net pension liability (Note 6)	1,966,172
Total non-current liabilities	2,004,959
Total liabilities	2,116,512
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to net pension liability (Note 6)	318,758
Total deferred inflows of resources	318,758
NET POSITION	
Investment in capital assets	848,763
Unrestricted	1,137,959
Total net position	$ 1,986,722

See accompanying Notes to the Basic Financial Statements.

Altadena Library District
Statement of Activities
For the Year Ended June 30, 2017

	Governmental Activities
Expenses:	
Library operations:	
Operations	$ 3,111,282
Depreciation expense	45,046
Total expenses	3,156,328
Program revenues:	
Charges for services:	
Special assessments	780,605
Charges for services	103,467
Operating grants and contributions	470,104
Total program revenues	1,354,176
Net program expense	(1,802,152)
General revenues:	
Property taxes	2,319,050
Property taxes – redevelopment increment	40,755
Investment earnings	6,352
Other revenues	14,566
Total general revenues	2,380,723
Change in net position	578,571
Net position:	
Beginning of year	1,408,151
End of year	$ 1,986,722

See accompanying Notes to the Basic Financial Statements.

FUND FINANCIAL STATEMENTS

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Altadena Library District
Balance Sheet
Governmental Funds
June 30, 2017

ASSETS		General Fund
Assets:		
Cash and investments	$	2,957,905
Property taxes and assessments receivable		72,034
Accounts receivable – other		15,967
Prepaid items		2,467
Total assets	$	3,048,373
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued expenses	$	70,398
Accrued salaries and benefits		28,226
Total liabilities		98,624
Fund balance: (Note 7)		
Nonspendable		2,467
Assigned		51,716
Unassigned		2,895,566
Total fund balance		2,949,749
Total liabilities and fund balance	$	3,048,373

See accompanying Notes to the Basic Financial Statements.

Altadena Library District
Reconciliation of the Balance Sheet of Governmental Funds to the Government-Wide Statement of Net Position
June 30, 2017

Fund Balances – Governmental Funds	$	2,949,749
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.		848,763
Deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred outflows of resources.		506,542
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities' both current and long-term, are reported in the statement of net position as follows:		
Compensated absences		(51,716)
Net other post-employment benefits obligations		18,314
Net pension liability		(1,966,172)
Deferred inflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred inflows of resources.		(318,758)
Total adjustments		(963,027)
Net Position of Governmental Activities	$	1,986,722

See accompanying Notes to the Basic Financial Statements.

Altadena Library District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

	General Fund
Revenues:	
Property taxes	$ 2,319,050
Property taxes – redevelopment increment	40,755
Special assessments	780,605
Charges for services	103,467
Operating grants and contributions	470,104
Investment earnings	6,352
Other revenues	14,566
Total revenues	3,734,899
Expenditures:	
Current:	
Salaries and benefits	2,110,115
Materials and services	1,087,224
Capital outlay	410,877
Total expenditures	3,608,216
Net change in fund balance	126,683
Fund balance:	
Beginning of year	2,823,066
End of year	$ 2,949,749

See accompanying Notes to the Basic Financial Statements.

Altadena Library District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2017

Net Change in Fund Balances – Governmental Funds	$	126,683
Amounts reported for governmental activities in the statement of activities is different because:		
Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:		
Change in compensated absences		20,774
Change in net other post-employment benefits obligations		107,428
Change in net pension liability		(42,145)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay		410,877
Depreciation expense		(45,046)
Total adjustments		451,888
Change in Net Position of Governmental Activities	$	578,571

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

The Altadena Library District (District) was formed on December 8, 1926, and operates under sections 19600 et seq., of the California Education Code. The main library is located at 600 E. Mariposa Street in Altadena. The branch library is located at 2659 Lincoln Avenue in Altadena and was re-opened in 1991. The District is administered by a five-member Board of Trustees.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The District has no component units as of year-end.

Basis of Accounting and Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the primary government. The effect of inter-fund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

> ***Deferred Outflows of Resources*** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.
>
> ***Deferred Inflows of Resources*** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

The government-wide financial statements are reported using the *"economic resources"* measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *"current financial resources"* measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year and other revenues when collected within one year of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The primary revenue sources susceptible to accrual are property taxes, charges for services, and interests associated with the current fiscal period and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major funds:

Governmental Funds:

> ***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.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Investments

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

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

Prepaid Items

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

Capital Assets

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

Asset Class	Useful Lives
Buildings	50 years
Building improvements	20 years
Furniture and equipment	5-7 years

Compensated Absences

The District's policy is to permit employees to accumulate earned but unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

CalPERS	
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Measurement Period	July 1, 2015 to June 30, 2016

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Property Taxes

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

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

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

Fund Balance Policy

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

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

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Net Position

Net position is categorized as follows:

Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District has no restricted net position as of June 30, 2017.

Unrestricted – This component of net position consists of net amount of assets that are not included in the determination of *restricted* or *investment in capital assets*.

Fund Balance

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

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

Restricted – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.

Committed – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Trustees) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.

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

The Board of Trustees establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

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

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Accounting Changes

During the year ended June 30, 2017, the District implemented the following new GASB pronouncements:

Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements 67 and 68). The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans.* The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 77, *Tax Abatement Disclosures.* This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. Governments should organize those disclosures by major tax abatement programs and may disclose information for individual tax abatement agreements within those programs. This Statement is effective for financial statements for fiscal years beginning after December 15, 2015.

Statement No. 78, *Pension Provided Through Certain Multiple-Employer Defined Benefit Pension Plans.* The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for financial statements for fiscal years beginning after December 15, 2015.

Statement No. 79, *Certain External Investment Pools and Pool Participants.* This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The specific requirements of this Statement that are effective for certain provisions on portfolio quality, custodial credit risk, and shadow pricing are effective for reporting periods beginning after December 15, 2015.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14.* The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.* This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Note 2 – Cash and Investments

Cash and investments at June 30, 2017, consist of the following:

Description		Balance
Cash on hand	$	777
Deposits with financial institutions		2,864,986
Investments		92,142
Total cash and investments	$	2,957,905

Demand Deposits

At June 30, 2017, the carrying amount of the District's demand deposits was $2,864,986 and the financial institution balance was $1,467,038. The $1,397,948 net difference represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to $250,000 by the FDIC.

The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Custodial Credit Risk

The 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 deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LACTIP).

As of June 30, 2017 none of the District's deposits were exposed to disclosable custodial credit risk.

Note 2 – Cash and Investments (Continued)

Investments

Investments as of June 30, 2017 consisted of the following:

Investments	Measurement Input	Credit Rating	Fair Value June 30, 2017	Maturity 12 Months or Less
External Investment Pools:				
Los Angeles County Treasury Investment Pool (LACTIP)	Level 2	AAA-bf	$ 92,142	$ 92,142
Total investments			$ 92,142	$ 92,142

Authorized Investments and Investment Policy

The District has adopted an investment policy directing the Fiscal Officer to deposit funds in financial institutions.

Investments are to be made in the following areas:

External Investment Pools:
Los Angeles County Treasury Investment Pool (LACTIP)

Los Angeles County Treasury Investment Pool

The District is a voluntary participant in the Los Angeles County Investment Pool pursuant to Government Code Section 53694. The cash flow needs of participants are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of those participants. At the time deposits are made, the Los Angeles County Investment Pool's Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of $1 million. Projections are performed no less than semi-annually. In accordance with Government Code Section 27136, all request for withdrawal of funds for the purpose of investing or deposits the funds elsewhere shall be evaluated to ensure the proposed withdrawal will not adversely affect the principal deposits of the other participants. Pool detail may be obtained from the County of Los Angeles Treasurer's Office – 225 N. Hill Street – Los Angeles, CA 90012 or the Treasurer and Tax Collector's office website at www.ttc.lacounty.gov.

The Los Angeles County Treasurer has indicated to the District that as of June 30, 2017 the value of the County's portfolio approximated $29.556 billion and the portfolio holds no derivative products. The District's investment with the Los Angeles County Treasurer's Office as of June 30, 2017 was $92,142. LACTIP's fair value factor of 0.99405 as of June 30, 2017 was used to calculate the fair value of the investments in the LACTIP.

Fair Value Measurement Input

The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the table above.

Note 2 – Cash and Investments (Continued)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2017, the District's investment in the LACTIP was rated by Standard & Poor's as AAAf/S1 as noted in the table above.

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 fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments except for those in the LACTIP.

Note 3 – Capital Assets

Changes in capital assets for the year were as follows:

	Balance July 1, 2016	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2017
Non-depreciable capital assets:				
Land	$ 77,280	$ -	$ -	$ 77,280
Artwork	102,500	-	-	102,500
Construction-in-process	72,825	-	(72,825)	-
Total non-depreciable capital assets	252,605	-	(72,825)	179,780
Depreciable capital assets:				
Library building	1,102,802	385,148	72,825	1,560,775
Branch building	77,933	-	-	77,933
Furniture and equipment	683,741	25,729	-	709,470
Total depreciable capital assets	1,864,476	410,877	72,825	2,348,178
Accumulated depreciation:				
Library building	(938,763)	(37,894)	-	(976,657)
Branch building	(77,933)	-	-	(77,933)
Furniture and equipment	(617,453)	(7,152)	-	(624,605)
Total accumulated depreciation	(1,634,149)	(45,046)	-	(1,679,195)
Total depreciable capital assets, net	230,327	365,831	72,825	668,983
Total capital assets, net	$ 482,932	$ 365,831	$ -	$ 848,763

Note 4 – Compensated Absences

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

The changes to the compensated absences balance at June 30, 2017 were as follows:

Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Current Portion	Long-term Portion
$ 72,490	$ 79,458	$ (100,232)	$ 51,716	$ 12,929	$ 38,787

Note 5 – Net Other Post-Employment Benefits Obligation

Plan Description

The District provides Other Post-Employment Benefits (OPEB) to employees who retire from the District and meet certain eligibility requirements. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the District's CalPERS medical. The contribution requirements of Plan members and the District are established and may be amended by the District's Board of Trustees.

Funding Policy

As required by GASB Statement No. 45, an actuary will determine the District's Annual Required Contributions (ARC) at least once every three fiscal years. The ARC is calculated in accordance with certain parameters, and includes (1) the Normal Cost for one year, and (2) a component for amortization of the total Unfunded Actuarial Accrued Liability (UAAL) over a period not to exceed 30 years.

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

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the District's Annual OPEB cost for the year ended June 30, 2017, the amount actually contributed to the plan and the changes in the District's net OPEB asset:

Summary changes in net other post-employment benefits balances as of June 30 were as follows:

Description	2017
Annual OPEB cost:	
Annual required contribution (ARC)	$ 102,875
Interest on beginning net OPEB obligation	4,456
Adjustment to annual required contribution	(5,347)
Total annual OPEB cost	101,984
Contributions made:	(209,412)
Total change in net OPEB obligation	(107,428)
Net OPEB obligation (asset):	
Beginning of year	89,114
End of year	$ (18,314)

Note 5 – Net Other Post-Employment Benefits Obligation (Continued)

The District's annual OPEB cost, the amounts contributed to the irrevocable trust, retiree benefit payments, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation payable/asset for the fiscal year ended June 30, 2017 and the two preceding years are shown in the following table.

Three-Year History of Net OPEB Obligation

Fiscal Year Ended	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Payable (Asset)
June 30, 2017	$ 101,984	$ 209,412	205.34%	$ (18,314)
June 30, 2016	100,998	200,952	198.97%	89,114
June 30, 2015	114,799	131,637	114.67%	189,068

The most recent valuation (dated July 1, 2015) includes an Actuarial Accrued Liability of $1,183,251. Plan assets amounted to $221,273. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2015 was $1,133,332. The ratio of the funded actuarial accrued liability to annual covered payroll was 84.88%.

Actuarial Methods and Assumptions

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

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

Valuation date	July 1, 2015
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	24 Years as of the valuation date
Asset valuation method	30 Year smoothed market
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increase	1.00%
Inflation - discount rate	2.75%
Health care trend rate	$500 per month per employee

Note 6 – Net Pension Liability and Defined Benefit Pension Plan

Summary

Type of Account	Balance as of July 1, 2016	Additions	Deletions	Balance as of June 30, 2017
Deferred Outflows of Resources:				
Pension contributions made after the measurement date:				
CalPERS – Miscellaneous Plan	$ 159,174	$ 161,019	$ (159,174)	$ 161,019
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	-	279,772	-	279,772
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	-	84,012	(22,730)	61,282
Differences between expected and actual experience:				
CalPERS – Miscellaneous Plan	7,575	-	(3,196)	4,379
Total deferred outflows of resources	$ 166,749	$ 524,803	$ (185,100)	$ 506,452
Net Pension Liability:				
CalPERS – Miscellaneous Plan	$ 1,467,863	$ 657,483	$ (159,174)	$ 1,966,172
Deferred Inflows of Resources:				
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	$ 35,930	$ -	$ (35,930)	$ -
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	115,971	84,041	(70,510)	129,502
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	211,556	-	(76,054)	135,502
Changes in assumptions:				
CalPERS – Miscellaneous Plan	71,672	-	(17,918)	53,754
Total deferred inflows of resources	$ 435,129	$ 84,041	$ (200,412)	$ 318,758

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans

The Plans Description Schedule

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	Miscellaneous Plans		
	Classic Tier 1	**Classic Tier 2**	**PEPRA Tier 3**
Hire date	Prior to December 24, 2012	On or after December 24, 2012	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 60	2.0 @ 62
Benefit vesting schedule	5-years or service	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life	monthly for life
Retirement age	50 - 67 & up	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	1.0% to 2.0%	1.0% to 2.0%	1.0% to 2.0%
Required member contribution rates	7.000%	7.000%	6.500%
Required employer contribution rates	9.558%	8.262%	6.930%

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2015 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Members Covered by Benefit Terms

At June 30, 2016 (Measurement Date), the following members were covered by the benefit terms:

	Miscellaneous Plans			
Plan Members	**Classic Tier 1**	**Classic Tier 2**	**PEPRA Tier 3**	**Total**
Active members	12	1	9	22
Transferred and terminated members	12	-	-	12
Retired members and beneficiaries	21	-	-	21
Total plan members	45	1	9	55

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous and Safety members are calculated as a percentage of their plan based the average final 36 months compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based the average final 36 months compensation.

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of $500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ended June 30, 2016 (Measurement Date), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRA Miscellaneous Plan are based above in the Plans Description schedule.

Contributions for the year ended June 30, 2017 were as follows:

	Miscellaneous Plans			
Contribution Type	**Classic Tier 1**	**Classic Tier 2**	**PEPRA Tier 3**	**Total**
Contributions – employer	$ 111,577	$ 788	$ 48,654	$ 161,019
Contributions – members	29,957	643	45,618	76,218
Total contributions	$ 141,534	$ 1,431	$ 94,272	$ 237,237

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement period ended June 30, 2016 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

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

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

Investment Type	New Strategic Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
	100.00%		

[1] An expected inflation rate-of-return of 2.5% is used for years 1 – 10.

[2] An expected inflation rate-of-return of 3.0% is used for years 11+.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.65%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
Plan Type	Discount Rate - 1% 6.65%	Current Discount Rate 7.650%	Discount Rate + 1% 8.65%
CalPERS – Miscellaneous Plan	$ 3,110,176	$ 1,966,172	$ 1,020,710

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2015 (Measurement Date)	$ 8,174,700	$ 6,706,837	$ 1,467,863
Balance as of June 30, 2016 (Measurement Date)	$ 8,497,318	$ 6,531,146	$ 1,966,172
Change in Plan Net Pension Liability	$ 322,618	$ (175,691)	$ 498,309

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2015). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2016). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2016 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2016 fiscal year).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The District's proportionate share of the net pension liability was as follows:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2017	**Fiscal Year Ending June 30, 2016**	**Change Increase/ (Decrease)**
Measurement Date	June 30, 2016	June 30, 2015	
Percentage of Risk Pool Net Pension Liability	0.056599%	0.053504%	0.003095%
Percentage of Plan (PERF C) Net Pension Liability	0.022722%	0.021385%	0.001337%

For the year ended June 30, 2017, the District recognized pension expense/(credit) in the amount of $203,164 for the CalPERS Miscellaneous Plan.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The EARSL for PERF C for the measurement date ending June 30, 2016 is 3.7 years, which was obtained by dividing the total service years of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired) in PERF C. Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members' probability of decrementing due to an event other than receiving a cash refund.

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 161,019	$ -
Difference between actual and proportionate share of employer contributions	-	129,502
Adjustment due to differences in proportions	61,282	135,502
Differences between expected and actual experience	4,379	-
Differences between projected and actual earnings on pension plan investments	279,772	-
Changes in assumptions	-	53,754
Total Deferred Outflows/(Inflows) of Resources	$ 506,452	$ 318,758

The District will recognize $161,019 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2017, as noted above.

Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows/(Inflows) of Resources
2017	$ (106,541)
2018	(64,874)
2019	125,719
2020	72,461
Total	$ 26,765

Note 7 – Fund Balance

A detailed schedule of fund balances and their funding composition at June 30, 2017 was as follows:

Description	Balance
Nonspendable:	
Prepaid items	$ 2,467
Assigned:	
Compensated absences	51,716
Unassigned:	
Unassigned	2,895,566
Total fund balances	$ 2,949,749

Note 8 – Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program. The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

Note 9 – Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Special District Risk Management Authority (SDRMA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California special districts. The purpose of the SDRMA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2017, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of $2,500,000, combined single limit at $2,500,000 per occurrence. The District purchased additional excess coverage layers: $10,000,000 for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.

In addition to the above, the District also has the following insurance coverage:

- Employee dishonesty coverage up to $400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverage's.
- Property loss is paid at the replacement cost for property on file, if replaced within three years after the loss, otherwise paid on an actual cash value basis, to a combined total of $1.0 billion per occurrence, subject to a $2,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to $100 million per occurrence, subject to a $1,000 deductible per occurrence.
- Public officials personal liability up to $500,000 each occurrence, with an annual aggregate of $500,000 per each elected/appointed official to which this coverage applies, subject to the terms, with a deductible of $500 per claim.

The District maintains workers' compensation coverage and employer's liability coverage in accordance with the statutory requirements of the State of California.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years. There were no reductions in insurance coverage in fiscal year 2017, 2016 and 2015. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payable as of June 30, 2017, 2016 and 2015.

Note 10 – Commitments and Contingencies

Grant Awards

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

Litigation

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

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REQUIRED SUPPLEMENTARY INFORMATION

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Altadena Library District
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2017

	Adopted Original Budget	Revised Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	$ 2,173,179	$ 2,173,179	$ 2,359,805	$ 186,626
Special assessments	780,996	780,996	780,605	(391)
Charges for services	116,500	112,500	103,467	(9,033)
Operating grants and contributions	66,165	483,729	470,104	(13,625)
Investment earnings	10,020	10,020	6,352	(3,668)
Other revenues	20,450	26,450	14,566	(11,884)
Total revenues	3,167,310	3,586,874	3,734,899	148,025
Expenditures:				
Current:				
Salaries and benefits	2,224,794	2,169,794	2,110,115	59,679
Materials and services	968,743	1,126,608	1,087,224	39,384
Capital outlay	148,156	425,156	410,877	14,279
Total expenditures	3,341,693	3,721,558	3,608,216	113,342
Net change in fund balance	$ (174,383)	$ (134,684)	126,683	$ 34,683
Fund balance:				
Beginning of year			2,823,066	
End of year			$ 2,949,749	

Altadena Library District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability
For the Year Ended June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	**June 30, 2017[1]**	**June 30, 2016[1]**	**June 30, 2015[1]**
Measurement Date:	June 30, 2016	June 30, 2015	June 30, 2014
District's Proportion of the Net Pension Liability	0.022722%	0.021385%	0.022681%
District's Proportionate Share of the Net Pension Liability	$ 1,966,172	$ 1,467,863	$ 1,411,297
District's Covered-Employee Payroll	$ 1,186,696	$ 1,025,728	$ 1,173,208
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	165.68%	143.10%	120.29%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.06%	82.04%	83.03%

[1] Historical information is required only for measurement periods for which GASB No. 68 is applicable.

Altadena Library District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability
For the Year Ended June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year:	**2016-17**[1]	**2015-16**[1]	**2014-15**[1]	**2013-14**[1]
Actuarially Determined Contribution[2]	$ 161,019	$ 159,174	$ 118,239	$ 100,578
Contribution in Relation to the Actuarially Determined Contribution[2]	(161,019)	(159,174)	(118,239)	(100,578)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District"s Covered-Employee Payroll[3]	$ 1,126,039	$ 1,186,696	$ 1,025,728	$ 1,173,208
Contributions as a Percentage of Covered-Employee Payroll	14.30%	13.41%	11.53%	8.57%

[1] Historical information is required only for measurement periods for which GASB No. 68 is applicable.

[2] Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

[3] Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to the Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes)

Altadena Library District
Required Supplementary Information (Unaudited)
Schedule of Funding Progress – Other Post-Employment Benefit Plan
For the Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2015	$ 221,273	$ 1,183,251	$ 961,978	18.70%	$ 1,133,332	84.88%
July 1, 2013	$ -	$ 1,253,745	$ 1,253,745	0.00%	$ 1,085,420	115.51%
July 1, 2011	$ -	$ 1,270,004	$ 1,270,004	0.00%	$ 1,185,870	107.09%
July 1, 2009	$ -	$ 1,244,501	$ 1,244,501	0.00%	$ 1,163,944	106.92%

Notes to the Schedule:

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