

**ALTADENA LIBRARY DISTRICT
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2019**



ALTADENA LIBRARY DISTRICT
For the Fiscal Year Ended June 30, 2019
Table of Contents

FINANCIAL SECTION

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	10
Statement of Activities.....	11
Governmental Funds Financial Statements:	
Governmental Funds Balance Sheet.....	12
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Position	13
Statement of Governmental Fund Revenues, Expenditures, and Changes in	
Fund Balances	14
Reconciliation of the Statement of Governmental Fund Revenues, Expenditures, and Changes	
in Fund Balances to the Statement of Activities.....	15
Notes to Financial Statements	16

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund	41
Schedule of Proportionate Share of the Net Pension Liability	42
Schedule of Pension Contributions	43
Schedule of Changes in the District's Net OPEB Liability and Related Ratios	44
Notes to the Required Supplementary Information	45

OTHER INDEPENDENT AUDITORS' REPORTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46
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FINDINGS AND RECOMMENDATIONS

Schedule of Audit Findings and Recommendations	48
Summary Schedule of Prior Audit Findings	49

Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Trustees
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 Altadena Library District as of and for the fiscal year ended June 30, 2019, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinions.

Opinion

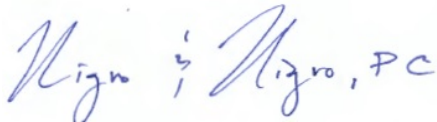
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Altadena Library District, as of June 30, 2019, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of the net pension liability, schedule of pension contributions, schedule of changes in the District's total OPEB liability and related ratios, and the notes to the required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated February 15, 2020, 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.



Murrieta, California
February 15, 2020

ALTADENA LIBRARY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

Management's Discussion and Analysis (MD&A) offers readers of Altadena Library District's financial statements a narrative overview of the District's financial activities for the fiscal year ended June 30, 2019. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

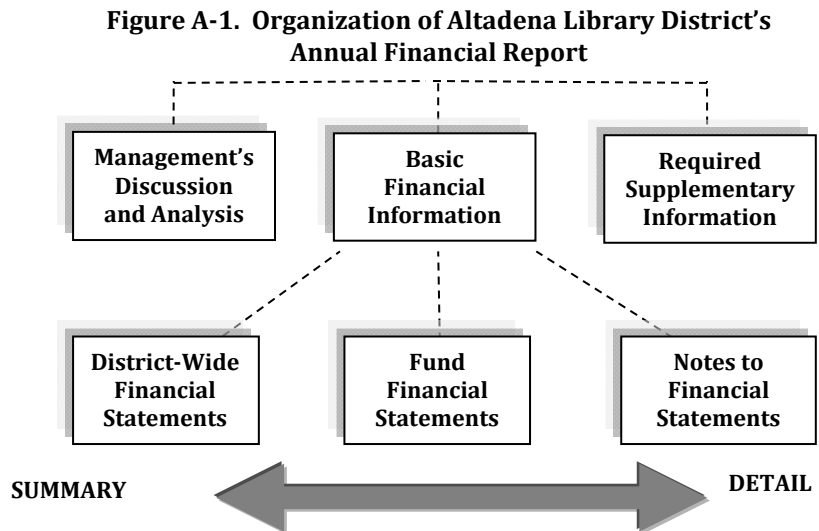
- The District's net position decreased 5.3%, or \$(61,066) from the prior year's net position of \$1,160,022 as a result of this year's operations.
- Total revenues from all sources increased by 5.4%, or \$193,738 from \$3,612,715 to \$3,806,453, from the prior year, primarily due to increased property tax and investment revenues.
- Total expenses for the District's operations increased by 10.7% or \$374,145 from \$3,493,374 to \$3,867,519, from the prior year, primarily due to materials and services expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- *District-wide financial statements* provide both short-term and long-term information about the District's overall financial status.
- *Fund financial statements* focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The *governmental funds* statements tell how basic services were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.



ALTADENA LIBRARY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

Type of Statements	District-Wide	Governmental Fund
<i>Scope</i>	Entire District	The activities of the District that are not proprietary or fiduciary, such as donations and library programs
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

ALTADENA LIBRARY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as library services and administration. State and local programs finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by grantor requirements.

The District has one fund, the General Fund.

ALTADENA LIBRARY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Statement of Net Position

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Change</u>
Assets:			
Current assets	\$ 3,482,512	\$ 3,591,877	\$ (109,365)
Capital assets, net	848,700	837,569	11,131
Total assets	<u>4,331,212</u>	<u>4,429,446</u>	<u>(98,234)</u>
Deferred outflows of resources	<u>800,838</u>	<u>712,454</u>	<u>88,384</u>
Liabilities:			
Current liabilities	193,858	255,884	(62,026)
Non-current liabilities	3,616,164	3,451,316	164,848
Total liabilities	<u>3,810,022</u>	<u>3,707,200</u>	<u>102,822</u>
Deferred inflows of resources	<u>223,072</u>	<u>274,678</u>	<u>(51,606)</u>
Net position:			
Investment in capital assets	848,700	837,569	11,131
Unrestricted	250,256	322,453	(72,197)
Total net position	<u>\$ 1,098,956</u>	<u>\$ 1,160,022</u>	<u>\$ (61,066)</u>

At the end of fiscal year 2019, the District shows a positive balance in its unrestricted net position of \$250,256 that may be utilized in future years.

ALTADENA LIBRARY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses

Table A-2: Condensed Statement of Activities

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Change</u>
Program revenues	\$ 1,045,860	\$ 1,027,741	\$ 18,119
Expenses	<u>(3,867,519)</u>	<u>(3,493,374)</u>	<u>(374,145)</u>
Net program expense	(2,821,659)	(2,465,633)	(356,026)
General revenues	<u>2,760,593</u>	<u>2,584,974</u>	<u>175,619</u>
Change in net position	(61,066)	119,341	(180,407)
Net position:			
Beginning of year	1,160,022	1,040,681	119,341
End of year	<u>\$ 1,098,956</u>	<u>\$ 1,160,022</u>	<u>\$ (61,066)</u>

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, the net position of the District decreased by \$(61,066) during the fiscal year ended June 30, 2019.

Table A-3: Total Revenues

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Increase (Decrease)</u>
Program revenues:			
Special assessments	\$ 831,231	\$ 829,090	\$ 2,141
Charges for services	131,414	129,985	1,429
Operating grants and contributions	<u>83,215</u>	<u>68,666</u>	<u>14,549</u>
Total program revenues	<u>1,045,860</u>	<u>1,027,741</u>	<u>18,119</u>
General revenues:			
Property taxes	2,630,571	2,555,889	74,682
Investment earnings	86,066	(8,188)	94,254
Other revenues	<u>43,956</u>	<u>37,273</u>	<u>6,683</u>
Total general revenues	<u>2,760,593</u>	<u>2,584,974</u>	<u>175,619</u>
Total revenues	<u>\$ 3,806,453</u>	<u>\$ 3,612,715</u>	<u>\$ 193,738</u>

Total revenues from all sources increased by 5.4%, or \$193,738 from \$3,612,715 to \$3,806,453, from the prior year primarily due to increased revenues from property tax allocations and investment earnings.

ALTADENA LIBRARY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses (continued)

Table A-4: Total Expenses

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Increase (Decrease)</u>
Expenses:			
Salaries and benefits	\$ 2,107,947	\$ 2,278,933	\$ (170,986)
Materials and services	1,688,545	1,113,264	575,281
Depreciation expense	71,027	101,177	(30,150)
Total expenses	<u>\$ 3,867,519</u>	<u>\$ 3,493,374</u>	<u>\$ 374,145</u>

Total expenses on a full-accrual basis for the District's operations increased by 10.7% or \$374,145 from \$3,493,374 to \$3,867,519, from the prior year primarily due to increases in materials and services costs.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The focus of the District's *governmental funds* is to provide information on current 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, 2019, the District reported a total fund balance of \$3,299,008. An amount of \$3,231,732 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 \$305,266 more than actual. The variance is principally due to excess legal costs. Actual revenues were more than the anticipated budget by \$256,453, mostly due to excess property tax allocations and investment earnings.

ALTADENA LIBRARY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

CAPITAL ASSET ADMINISTRATION

Table A-5: Capital Assets at Year End, Net of Depreciation

	<u>Balance June 30, 2019</u>	<u>Balance June 30, 2018</u>	<u>Increase (Decrease)</u>
Capital assets:			
Non-depreciable assets	\$ 179,780	\$ 179,780	\$ -
Depreciable assets	1,874,221	1,792,063	82,158
Accumulated depreciation	<u>(1,205,301)</u>	<u>(1,134,274)</u>	<u>(71,027)</u>
Total capital assets, net	<u><u>\$ 848,700</u></u>	<u><u>\$ 837,569</u></u>	<u><u>\$ 11,131</u></u>

At the end of fiscal year 2019, the District's investment in capital assets amounted to \$848,700 (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 \$36,661 and furniture and equipment totaling \$45,497.

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

FACTORS AFFECTING CURRENT FINANCIAL POSITION

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

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the Library Director at (626) 798-0833.

ALTADENA LIBRARY DISTRICT

Statement of Net Position

June 30, 2019

ASSETS

Current assets:

Cash and investments (Note 2)	\$ 3,269,014
Accrued interest receivable	16,396
Property taxes and assessments receivable	155,670
Accounts receivable – other	36,279
Prepaid items	5,153

Total current assets 3,482,512

Non-current assets:

Capital assets – not being depreciated (Note 3)	179,780
Capital assets – being depreciated, net (Note 3)	668,920

Total non-current assets 848,700

Total assets 4,331,212

DEFERRED OUTFLOWS OF RESOURCES

Deferred amounts related to net pension liability (Note 9)	623,970
Deferred amounts related to net OPEB liability (Note 10)	176,868

Total deferred outflows of resources 800,838

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	155,740
Accrued salaries and benefits	27,764
Long-term liabilities – due in one year:	
Compensated absences (Note 6)	10,354

Total current liabilities 193,858

Non-current liabilities:

Long-term liabilities – due in more than one year:	
Net other post-employment benefits obligations (Note 10)	1,280,972
Compensated absences (Note 6)	51,769
Net pension liability (Note 9)	2,283,423

Total non-current liabilities 3,616,164

Total liabilities 3,810,022

DEFERRED INFLOWS OF RESOURCES

Deferred amounts related to net pension liability (Note 9)	219,303
Deferred amounts related to net OPEB liability (Note 10)	3,769

Total deferred inflows of resources 223,072

NET POSITION

Investment in capital assets	848,700
Unrestricted	250,256
Total net position	<u>\$ 1,098,956</u>

ALTADENA LIBRARY DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2019

	Governmental Activities
Expenses:	
Library operations:	
Operations	\$ 3,796,492
Depreciation expense	71,027
Total expenses	3,867,519
Program revenues:	
Charges for services:	
Special assessments	831,231
Charges for services	131,414
Operating grants and contributions	83,215
Total program revenues	1,045,860
Net program expense	(2,821,659)
General revenues:	
Property taxes	2,586,197
Property taxes – redevelopment increment	44,374
Investment earnings	86,066
Other revenues	43,956
Total general revenues	2,760,593
Change in net position	(61,066)
Net position:	
Beginning of year	1,160,022
End of year	\$ 1,098,956

ALTADENA LIBRARY DISTRICT
Balance Sheet – Governmental Funds
June 30, 2019

<u>ASSETS</u>	<u>General Fund</u>
Assets:	
Cash and investments	\$ 3,269,014
Accrued interest receivable	16,396
Property taxes and assessments receivable	155,670
Accounts receivable – other	36,279
Prepaid items	5,153
Total assets	<u><u>\$ 3,482,512</u></u>
 <u>LIABILITIES AND FUND BALANCE</u> 	
Liabilities:	
Accounts payable and accrued expenses	\$ 155,740
Accrued salaries and benefits	27,764
Total liabilities	<u>183,504</u>
Fund balance: (Note 4)	
Nonspendable	5,153
Assigned	62,123
Unassigned	3,231,732
Total fund balance	<u>3,299,008</u>
Total liabilities and fund balance	<u><u>\$ 3,482,512</u></u>

ALTADENA LIBRARY DISTRICT

*Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019*

Fund Balances – Governmental Funds	\$ 3,299,008
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. The net book value of capital assets is:	848,700
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.	800,838
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	(62,123)
Net other post-employment benefits obligations	(1,280,972)
Net pension liability	(2,283,423)
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.	<u>(223,072)</u>
Total adjustments	<u>(2,200,052)</u>
Net Position of Governmental Activities	<u><u>\$ 1,098,956</u></u>

ALTADENA LIBRARY DISTRICT

*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2019*

	General Fund
Revenues:	
Property taxes	\$ 2,586,197
Property taxes – redevelopment increment	44,374
Special assessments	831,231
Charges for services	131,414
Operating grants and contributions	83,215
Investment earnings	86,066
Other revenues	43,956
Total revenues	3,806,453
Expenditures:	
Current:	
Salaries and benefits	2,084,563
Materials and services	1,688,545
Capital outlay	82,158
Total expenditures	3,855,266
Net change in fund balance	(48,813)
Fund balance:	
Beginning of year	3,347,821
End of year	\$ 3,299,008

ALTADENA LIBRARY DISTRICT

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

For the Fiscal Year Ended June 30, 2019

Net Change in Fund Balances – Governmental Funds \$ (48,813)

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	8,844
Change in net other post-employment benefits obligations	(25,425)
Change in net pension liability	(6,803)

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

Capital outlay	82,158
Depreciation expense	<u>(71,027)</u>

Total adjustments	<u>(12,253)</u>
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Change in Net Position of Governmental Activities	<u><u>\$ (61,066)</u></u>
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ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

A. Description of Organization

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.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, charges for services, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provides information about the District's funds. The District reports only the following governmental fund:

General Fund: This fund is used to account for all financial resources of the District.

ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

2. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements

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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

2. Prepaid Items

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

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

3. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool’s underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District’s own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

4. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District’s policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets. The District considers library books and other media resources as a current period expense rather than a composite capital asset.

Estimated service lives for the District’s classes of assets are as follows:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	50 years
Building Improvements	20 years
Furniture and Equipment	5-7 years

ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports 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 a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position reports 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 a future period and will not be recognized as an inflow of resources (revenue) until that time.

6. 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.

7. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plan and addition to/deductions from the Plans fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. 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 onetime expenditures.

ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

10. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

10. Fund Balances (continued)

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

E. 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.

Property tax in California is levied in accordance with Article 13A of the State Constitution at one (1%) of countywide assessed valuations. The County of Los Angeles Treasurer's Office remits an undisclosed portion of the one (1%) current and delinquent property tax collections to the District throughout the year.

F. New GASB Pronouncements

During the 2018-19 fiscal year, the following GASB Pronouncements became effective:

1. In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities.

ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

F. New GASB Pronouncements (continued)

1. (continued)

Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO.

The District has implemented the provisions of this Statement as of June 30, 2019.

G. Future Accounting Pronouncements

Other GASB pronouncements, which will be effective in future periods, are as follows:

1. In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Early implementation is encouraged.

2. In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Early implementation is encouraged.

ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Future Accounting Pronouncements (continued)

3. In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

4. In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests-An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Future Accounting Pronouncements (continued)

4. (continued)

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

5. In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements – often characterized as leases – that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities.

Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

ALTADENA LIBRARY DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2019, consist of the following:

<u>Description</u>	<u>Balance</u>
Cash on hand	\$ 850
Deposits with financial institutions	217,017
Investments	<u>3,051,147</u>
Total cash and investments	<u>\$ 3,269,014</u>

Demand Deposits

At June 30, 2019, the carrying amount of the District's demand deposits was \$217,017 and the financial institution balance was \$310,780. The \$93,763 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 upto\$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, 2019, \$60,780 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

ALTADENA LIBRARY DISTRICT
Notes to Financial Statements
 June 30, 2019

NOTE 2 – CASH AND INVESTMENTS (continued)

Investments

Investments as of June 30, 2019, consisted of the following:

<u>Investments</u>	<u>Measurement Input</u>	<u>Credit Rating</u>	<u>Fair Value June 30, 2019</u>	<u>Maturity 12 Months or Less</u>
External Investment Pools:				
Los Angeles County Treasury Investment Pool (LACTIP)	Level 2	AAAf/S1	\$ 3,051,147	\$ 3,051,147
Total investments			<u>\$ 3,051,147</u>	<u>\$ 3,051,147</u>

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, 2019, the value of the County's portfolio approximated \$31.5 billion and the portfolio holds no derivative products. The District's investment with the Los Angeles County Treasurer's Office as of June 30, 2019, was \$3,051,147. LACTIP's fair value factor of 0.9866 as of June 30, 2019, 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.

ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

June 30, 2019

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, 2019, the District's investment in the LACTIP was rated by Standard & Poor's as AAf/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:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deletions/</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2019</u>
Non-depreciable capital assets:				
Land	\$ 77,280	\$ -	\$ -	\$ 77,280
Artwork	102,500	-	-	102,500
Total non-depreciable capital assets	<u>179,780</u>	<u>-</u>	<u>-</u>	<u>179,780</u>
Depreciable capital assets:				
Library building	1,634,165	36,661	(71,197)	1,599,629
Branch building	77,933	-	-	77,933
Furniture and equipment	79,965	116,694	-	196,659
Total depreciable capital assets	<u>1,792,063</u>	<u>153,355</u>	<u>(71,197)</u>	<u>1,874,221</u>
Accumulated depreciation:				
Library building	(1,039,905)	(62,391)	64,786	(1,037,510)
Branch building	(77,933)	-	-	(77,933)
Furniture and equipment	(16,436)	(73,422)	-	(89,858)
Total accumulated depreciation	<u>(1,134,274)</u>	<u>(135,813)</u>	<u>64,786</u>	<u>(1,205,301)</u>
Total depreciable capital assets, net	<u>657,789</u>	<u>17,542</u>	<u>(6,411)</u>	<u>668,920</u>
Total capital assets, net	<u>\$ 837,569</u>	<u>\$ 17,542</u>	<u>\$ (6,411)</u>	<u>\$ 848,700</u>

ALTADENA LIBRARY DISTRICT
Notes to Financial Statements
June 30, 2019

NOTE 4 – FUND BALANCES

At June 30, 2019, fund balances of the District’s governmental funds were classified as follows:

<u>Description</u>	<u>Balance</u>
Nonspendable:	
Prepaid items	\$ 5,153
Assigned:	
Compensated absences	62,123
Unassigned:	
Unassigned	<u>3,231,732</u>
Total fund balances	<u><u>\$ 3,299,008</u></u>

NOTE 5 – 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 6 – COMPENSATED ABSENCES

Compensated absences comprise unpaid vacation leave 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, 2019 were as follows:

<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 70,967	\$ -	\$ (8,844)	\$ 62,123	\$ 10,354	\$ 51,769

ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

Years Ended June 30, 2019

NOTE 7 – 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

The District is involved in routine litigation incidental to its business and may be subject to claims and litigation from outside parties.

NOTE 8 – 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, 2019, 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 2019, 2018, and 2017. 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, 2019, 2018, and 2017.

ALTADENA LIBRARY DISTRICT
Notes to Financial Statements
Years Ended June 30, 2019

NOTE 9 – PENSION PLANS

Summary

A summary of the District pension plan’s changes in deferred outflows/inflows and net pension liability for the fiscal year ending June 30, 2019 is:

<u>Type of Account</u>	<u>Balance as of July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of June 30, 2019</u>
Deferred Outflows of Resources:				
Pension contributions made after the measurement date:				
CalPERS – Miscellaneous Plan	\$ 180,238	\$ 215,284	\$ (180,238)	\$ 215,284
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	87,078	-	(75,789)	11,289
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	49,685	-	(216)	49,469
Differences between expected and actual experience:				
CalPERS – Miscellaneous Plan	3,103	84,508	-	87,611
Changes in assumptions:				
CalPERS – Miscellaneous Plan	385,028	-	(124,711)	260,317
Total deferred outflows of resources	<u>\$ 705,132</u>	<u>\$ 299,792</u>	<u>\$ (380,954)</u>	<u>\$ 623,970</u>
Net Pension Liability:				
CalPERS – Miscellaneous Plan	<u>\$ 2,302,407</u>	<u>\$ -</u>	<u>\$ (18,984)</u>	<u>\$ 2,283,423</u>
Deferred Inflows of Resources:				
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	\$ 44,458	\$ -	\$ (14,645)	\$ 29,813
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	136,993	-	(11,302)	125,691
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	63,868	-	(63,868)	-
Changes in assumptions:				
CalPERS – Miscellaneous Plan	29,359	34,440	-	63,799
Total deferred inflows of resources	<u>\$ 274,678</u>	<u>\$ 34,440</u>	<u>\$ (89,815)</u>	<u>\$ 219,303</u>

ALTADENA LIBRARY DISTRICT
Notes to Financial Statements
Years Ended June 30, 2019

NOTE 9 – PENSION PLANS (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 monthly for life	5-years or service monthly for life	5-years or service monthly for life
Benefits payments	50 - 67 & up	50 - 67 & up	52 - 67 & up
Retirement age	1.0% to 2.0%	1.0% to 2.0%	1.0% to 2.0%
Monthly benefits, as a % of eligible compensation	7.000%	7.000%	6.500%
Required member contribution rates	9.599%	8.303%	6.908%
Required employer contribution rates			

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, 2017 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, 2018 (Measurement Date), the following members were covered by the benefit terms:

Plan Members	Miscellaneous Plans			Total
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3	
Active members	5	-	19	24
Transferred and terminated members	15	1	1	17
Retired members and beneficiaries	23	-	1	24
Total plan members	43	1	21	65

ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

Years Ended June 30, 2019

NOTE 9 – PENSION PLANS (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 7.15 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%.

ALTADENA LIBRARY DISTRICT
Notes to Financial Statements
Years Ended June 30, 2019

NOTE 9 – PENSION PLANS (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, 2018 (Measurement Date), the active member contribution rate for the Classic Miscellaneous Plan and the PEPR Miscellaneous Plan are based above in the Plans Description schedule.

Contributions for the year ended June 30, 2019, were as follows:

Contribution Type	Miscellaneous Plans			Total
	Classic Tier 1	Classic Tier 2	PEPRA Tier 3	
Contributions – employer	\$ 139,615	\$ 778	\$ 74,891	\$ 215,284
Contributions – members	16,958	-	66,691	83,649
Total contributions	\$ 156,573	\$ 778	\$ 141,582	\$ 298,933

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement period ended June 30, 2018 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2018 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	7.15%
Inflation	2.50%
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 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS’ website under Forms and Publications.

ALTADENA LIBRARY DISTRICT
Notes to Financial Statements
Years Ended June 30, 2019

NOTE 9 – PENSION PLANS (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 7.15 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	50.00%	4.80%	5.98%
Fixed income	28.00%	1.00%	2.62%
Inflation assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	100.00%		

¹ An expected inflation rate-of-return of 2.00% is used for years 1 – 10.

² An expected inflation rate-of-return of 2.92% 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 7.15%, 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 (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Plan Type	Plan’s Net Pension Liability/(Asset)		
	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
	CalPERS – Miscellaneous Plan	\$ 3,530,971	\$ 2,283,423

ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

Years Ended June 30, 2019

NOTE 9 – PENSION PLANS (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 changes in plan-level net pension liability over the measurement period for the Miscellaneous Plan:

<u>Plan Type and Balance Descriptions</u>	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Change in Plan Net Pension Liability</u>
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2017 (Measurement Date)	<u>\$ 9,227,133</u>	<u>\$ 6,924,726</u>	<u>\$ 2,302,407</u>
Balance as of June 30, 2018 (Measurement Date)	<u>\$ 9,222,570</u>	<u>\$ 6,939,147</u>	<u>\$ 2,283,423</u>
Change in Plan Net Pension Liability	<u><u>\$ (4,563)</u></u>	<u><u>\$ 14,421</u></u>	<u><u>\$ (18,984)</u></u>

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, 2017). 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, 2018). 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, 2018 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2018 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).

ALTADENA LIBRARY DISTRICT*Notes to Financial Statements**Years Ended June 30, 2019***NOTE 9 – PENSION PLANS (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		Change Increase/ (Decrease)
	Fiscal Year Ending June 30, 2019	Fiscal Year Ending June 30, 2018	
	Measurement Date	June 30, 2018	
Percentage of Risk Pool Net Pension Liability	0.060589%	0.058410%	0.002179%
Percentage of Plan (PERF C) Net Pension Liability	0.023696%	0.023220%	0.000476%

For the year ended June 30, 2019, the District recognized pension expense/(credit) in the amount of \$6,803 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, 2018 is 3.8 years, which was obtained by dividing the total service years by 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.

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2019, 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	\$ 215,284	\$ -
Difference between actual and proportionate share of employer contributions	-	125,691
Adjustment due to differences in proportions	49,469	-
Differences between expected and actual experience	87,611	29,813
Differences between projected and actual earnings on pension plan investments	11,289	-
Changes in assumptions	260,317	63,799
Total Deferred Outflows/(Inflows) of Resources	\$ 623,970	\$ 219,303

ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

Years Ended June 30, 2019

NOTE 9 – PENSION PLANS (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

The District recognized \$215,284 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, 2019, 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:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u>
2020	\$ 189,488
2021	98,478
2022	(78,045)
2023	(20,538)
2024	-
Thereafter	-
Total	<u><u>\$ 189,383</u></u>

As of June 30, 2019, there were no outstanding payables to the pension plan.

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS

A. General Information about the OPEB Plan

Plan description

The District provides Other Post-Employment Benefits (OPEB) to employees who retire from the District and meet certain eligibility requirements. The plan is considered a single-employer plan for purposes of GASB 75. 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.

Benefits provided

Medical coverage is currently provided through CalPERS as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA). This coverage requires the employee to satisfy the requirements for retirement under CalPERS: either (a) attainment of age 50 (age 52, if a miscellaneous employee new to PERS on or after January 1, 2013) with 5 years of State or public agency service or (b) an approved disability retirement.

The employee must begin his or her retirement benefit within 120 days of terminating employment with the District to be eligible to continue medical coverage through the District and be entitled to the benefits described below. If an eligible employee is not already enrolled in the medical plan, he or she may enroll within 60 days of retirement, during any future open enrollment period or with a qualifying life event. In other words, it is the timing of initiating retirement benefits and not timing of enrollment in the medical program which determines whether or not the retiree qualifies for lifetime medical coverage and any benefits defined in the PEMHCA resolution.

ALTADENA LIBRARY DISTRICT
Notes to Financial Statements
Years Ended June 30, 2019

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (continued)

A. General Information about the OPEB Plan (continued)

Benefits provided (continued)

Once eligible, coverage may be continued at the retiree’s option for his or her lifetime. A surviving spouse and other eligible dependents may also continue coverage.

As a PEMHCA employer, the District is obligated to contribute toward the cost of retiree medical coverage for the retiree’s lifetime or until coverage is discontinued. The current PEMHCA resolution provides for the District to contribute up to \$500 per month toward medical premiums for active employees or retirees and/or their eligible dependents. If the retiree’s spouse has coverage and survives the retiree, the contribution continues to the surviving spouse provided he or she is entitled to survivor benefits under the retirement plan.

Employees covered by benefit terms

At July 1, 2018, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	17
Active plan members	<u>22</u>
Total	<u><u>39</u></u>

B. Total OPEB Liability

The District’s total OPEB liability of \$1,766,594 for the District Plan was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	District Plan
Valuation Date	June 30, 2017
Experience Study	N/A
Inflation	2.75 percent
Salary increases	3.25 percent
Investment rate of return	6.25 percent
Mortality rate	CalPERS Membership Data
Healthcare cost trend rates	HMO 6.0% to 5.0% for 2024+ & PPO 6.5% to 5.0% for 2024+

District Plan

The discount rate is 6.25 percent based upon the expected return on assets.

Mortality rates are based on the MacLeod Watts Scale 2017, which was developed from a blending of data and methodologies found in two published sources: (1) the Society of Actuaries Mortality Improvement Scale MP-2016 Report, published in October 2016 and (2) the demographic assumptions used in the 2016 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust funds, published June 2016.

ALTADENA LIBRARY DISTRICT
Notes to Financial Statements
Years Ended June 30, 2019

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (continued)

B. Total OPEB Liability (continued)

District Plan (continued)

At the time the June 2017 valuation was prepared, CalPERS determined and published expected returns shown below for CERBT Asset Allocation Strategy 3 using a building-block method and best-estimate ranges of expected future real rates of return for each major asset class (expected returns, net of OPEB plan investment expense and inflation). These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Using the District’s projected benefit cash flows and the rates of return shown below, a long-term expected return of 6.3% was determined; however, the District approved use of 6.25% for the assumed trust rate of return and discount rate for the actuarial study. Expected asset returns were updated and published by CalPERS for October 1, 2018 and beyond.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	24%	7.75%
Fixed income	39%	4.29%
Global Real Estate (REITs)	8%	5.75%
Treasury Inflation Protected (TIPS)	26%	3.50%
Commodities	3%	2.84%
Total	100%	

C. Changes in the Total OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2017	\$ 1,625,147	\$ 535,377	\$ 1,089,770
Changes for the year:			
Service cost	85,458	-	85,458
Interest	104,602	-	104,602
Changes in assumptions	25,309	-	25,309
Actual investment income	-	25,154	(25,154)
Administrative expense	-	(987)	987
Benefit payments	(73,922)	(73,922)	-
Net changes	141,447	(49,755)	191,202
Balance at June 30, 2018	\$ 1,766,594	\$ 485,622	\$ 1,280,972
District's Total Reported Net OPEB Liability			\$ 1,280,972

ALTADENA LIBRARY DISTRICT
Notes to Financial Statements
Years Ended June 30, 2019

NOTE 10 – OTHER POSTEMPLOYMENT BENEFITS (continued)

C. Changes in the Total OPEB Liability (continued)

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the District, as well as what the District’s total 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 5.25%	Discount Rate 6.25%	1% Increase 7.25%
District Plan	\$ 1,505,871	\$ 1,280,972	\$ 1,095,721

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Current Rate	1% Increase
District Plan	\$ 1,066,874	\$ 1,280,972	\$ 1,544,593

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$25,425. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date of the net OPEB liability	\$ 141,905	\$ -
Changes of assumptions	24,699	(3,769)
Net differences between projected and actual earnings on OPEB plan investments	10,264	-
Total	<u>\$ 176,868</u>	<u>\$ (3,769)</u>

NOTE 11 – SUBSEQUENT EVENTS

Events subsequent to June 30, 2019, have been evaluated through February 15, 2020, the date at which the District’s audited financial statements were available to be issued. The following event requiring disclosure has occurred through this date.

Required Supplementary Information

ALTADENA LIBRARY DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2019

	<u>Adopted Original/Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Property taxes	\$ 2,515,000	\$ 2,630,571	\$ 115,571
Special assessments	810,000	831,231	21,231
Charges for services	137,000	131,414	(5,586)
Operating grants and contributions	63,000	83,215	20,215
Investment earnings	18,000	86,066	68,066
Other revenues	7,000	43,956	36,956
Total revenues	<u>3,550,000</u>	<u>3,806,453</u>	<u>256,453</u>
Expenditures:			
Current:			
Salaries and benefits	2,238,000	2,084,563	153,437
Materials and services	1,047,000	1,688,545	(641,545)
Capital outlay	265,000	82,158	182,842
Total expenditures	<u>3,550,000</u>	<u>3,855,266</u>	<u>(305,266)</u>
Net change in fund balance	<u>\$ -</u>	<u>(48,813)</u>	<u>\$ (48,813)</u>
Fund balance:			
Beginning of year		<u>3,347,821</u>	
End of year		<u>\$ 3,299,008</u>	

ALTADENA LIBRARY DISTRICT

*Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2019*

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year	<u>June 30, 2019¹</u>	<u>June 30, 2018¹</u>	<u>June 30, 2017¹</u>	<u>June 30, 2016¹</u>	<u>June 30, 2015¹</u>
Measurement Date:	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
District's Proportion of the Net Pension Liability	<u>0.023696%</u>	<u>0.023220%</u>	<u>0.022722%</u>	<u>0.021385%</u>	<u>0.022681%</u>
District's Proportionate Share of the Net Pension Liability	<u>\$ 2,283,423</u>	<u>\$ 2,302,407</u>	<u>\$ 1,966,172</u>	<u>\$ 1,467,863</u>	<u>\$ 1,411,297</u>
District's Covered-Employee Payroll	<u>\$ 1,164,987</u>	<u>\$ 1,126,039</u>	<u>\$ 1,186,696</u>	<u>\$ 1,025,728</u>	<u>\$ 1,173,208</u>
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	<u>196.00%</u>	<u>204.47%</u>	<u>165.68%</u>	<u>143.10%</u>	<u>120.29%</u>
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	<u>74.06%</u>	<u>74.06%</u>	<u>74.06%</u>	<u>82.04%</u>	<u>83.03%</u>

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

ALTADENA LIBRARY DISTRICT
Schedule of Pension Contributions
For the Fiscal Year Ended June 30, 2019

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year:	<u>2018-19¹</u>	<u>2017-18¹</u>	<u>2016-17¹</u>	<u>2015-16¹</u>	<u>2014-15¹</u>	<u>2013-14¹</u>
Actuarially Determined Contribution ²	\$ 215,284	\$ 180,238	\$ 161,019	\$ 159,174	\$ 118,239	\$ 100,578
Contribution in Relation to the Actuarially Determined Contribution ²	<u>(215,284)</u>	<u>(180,238)</u>	<u>(161,019)</u>	<u>(159,174)</u>	<u>(118,239)</u>	<u>(100,578)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll ³	<u>\$ 1,444,274</u>	<u>\$ 1,164,987</u>	<u>\$ 1,126,039</u>	<u>\$ 1,186,696</u>	<u>\$ 1,025,728</u>	<u>\$ 1,173,208</u>
Contributions as a Percentage of Covered-Employee Payroll	<u>14.91%</u>	<u>15.47%</u>	<u>14.30%</u>	<u>13.41%</u>	<u>11.53%</u>	<u>8.57%</u>

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)

Change in Assumptions: The inflation rate for the measurement period ending June 30, 2018 has been changed from 2.75% to 2.5%

ALTADENA LIBRARY DISTRICT*Schedule of Changes in the District's Net OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2019*

	<u>2018-19</u>	<u>2017-18</u>
Total OPEB liability		
Service cost	\$ 85,458	\$ 82,767
Interest	104,602	97,819
Changes of assumptions	25,309	-
Benefit payments	<u>(73,922)</u>	<u>(75,542)</u>
Net change in total OPEB liability	141,447	105,044
Total OPEB liability - beginning	<u>1,625,147</u>	<u>1,520,103</u>
Total OPEB liability - ending	<u><u>\$ 1,766,594</u></u>	<u><u>\$ 1,625,147</u></u>
Plan fiduciary net position		
Contributions - employer	\$ -	\$ 215,546
Net investment income	25,154	18,767
Benefit payments	(73,922)	(75,542)
Administrative expense	<u>(987)</u>	<u>(224)</u>
Net change in plan fiduciary net position	(49,755)	158,547
Plan fiduciary net position - beginning	<u>535,377</u>	<u>376,830</u>
Plan fiduciary net position - ending	<u><u>\$ 485,622</u></u>	<u><u>\$ 535,377</u></u>
District's net OPEB liability	<u><u>\$ 1,280,972</u></u>	<u><u>\$ 1,089,770</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u>27.49%</u>	<u>32.94%</u>
Covered-employee payroll	<u>\$ 1,387,550</u>	<u>\$ 1,164,987</u>
District's net OPEB liability as a percentage of covered-employee payroll	<u>92.32%</u>	<u>93.54%</u>

Notes to Schedule:

No changes noted from benefits; however, assumptions for healthcare cost trend rates have changed (See Note 1 to the RSI)

This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

ALTADENA LIBRARY DISTRICT

Notes to the Required Supplementary Information For the Fiscal Year Ended June 30, 2019

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District prepares and submits an operating budget to the Board of Trustees no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Trustees must approve all supplemental appropriations to the budget and transfers between major accounts.

Schedule of Proportionate Share of the Net Pension Liability

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of Pension Contributions

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.
- Change of assumptions: the rate of inflation decreased from 2.75% for the measurement period ending June 30, 2017 to 2.5% for the measurement period ending June 30, 2018.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule is required by GASB Statement No. 75 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents information of the measurement date of the net OPEB liability.

- Change of assumptions: the healthcare cost trend rate changed from 7.5% decreasing to 5.0% to 6.0% decreasing to 5.0% for HMO and 6.5% decreasing to 5.0% for PPO.

Other Independent Auditors' Report



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

Board of Trustees
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 Altadena Library District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Altadena Library District's basic financial statements, and have issued our report thereon dated February 15, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Altadena Library 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 Altadena Library District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Altadena Library 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 District'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.

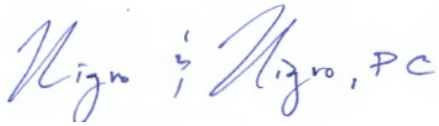
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Altadena Library District's financial statements are free of 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*.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Nigro & Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California
February 15, 2020

Findings and Recommendations

ALTADENA LIBRARY DISTRICT
Schedule of Audit Findings and Recommendations
For the Fiscal Year Ended June 30, 2019

SECTION I - FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no audit findings in 2018-19.

ALTADENA LIBRARY DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2019

There were no findings or recommendations in 2017-18.