

**ALTADENA LIBRARY DISTRICT
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

**For the Fiscal Year Ended
June 30, 2020
(With Comparative Amounts as of June 30, 2019)**

DRAFT



ALTADENA LIBRARY DISTRICT
For the Fiscal Year Ended June 30, 2020
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Financial Section

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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, 2020, 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, 2020, 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.

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2019, from which such partial information was derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a separate report dated November 5, 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
November 5, 2020

ALTADENA LIBRARY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

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, 2020. 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

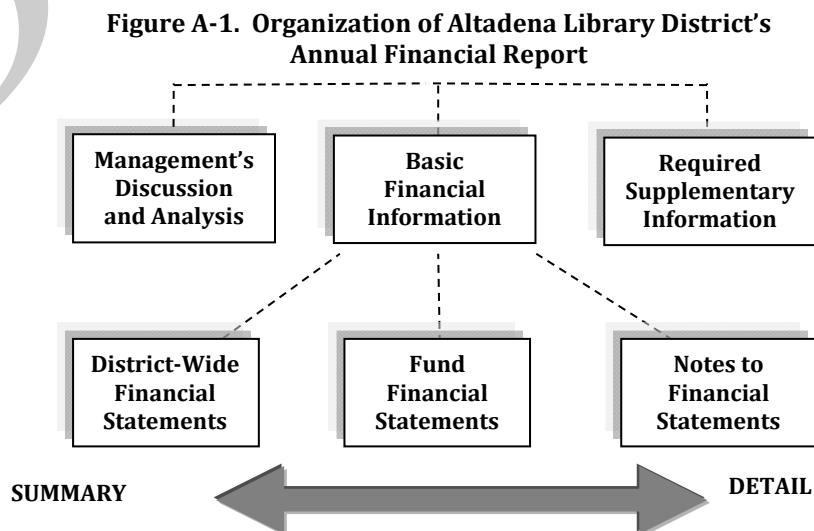
- The District's net position increased 2.3%, or \$25,747 from the prior year's net position of \$1,098,956 as a result of this year's operations.
- Total revenues from all sources increased by 2.9%, or \$108,624 from \$3,806,453 to \$3,915,077, from the prior year, primarily due to increased property tax and special assessment revenues.
- Total expenses for the District's operations increased by 0.6% or \$21,811 from \$3,867,519 to \$3,889,330, from the prior year, primarily due to an increase in employee benefit costs of \$254,309 while materials and services expenses decreased by (\$244,654).

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, 2020

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, 2020

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, 2020

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Statement of Net Position

| | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>Change</u> |
|---------------------------------------|----------------------|----------------------|------------------|
| Assets: | | | |
| Current assets | \$ 3,815,072 | \$ 3,482,512 | \$ 332,560 |
| Capital assets, net | <u>831,237</u> | <u>848,700</u> | <u>(17,463)</u> |
| Total assets | <u>4,646,309</u> | <u>4,331,212</u> | <u>315,097</u> |
| Deferred outflows of resources | <u>862,773</u> | <u>800,838</u> | <u>61,935</u> |
| Liabilities: | | | |
| Current liabilities | 212,208 | 193,858 | 18,350 |
| Non-current liabilities | <u>3,614,567</u> | <u>3,616,164</u> | <u>(1,597)</u> |
| Total liabilities | <u>3,826,775</u> | <u>3,810,022</u> | <u>16,753</u> |
| Deferred inflows of resources | <u>557,604</u> | <u>223,072</u> | <u>334,532</u> |
| Net position: | | | |
| Investment in capital assets | 831,237 | 848,700 | (17,463) |
| Unrestricted | <u>293,466</u> | <u>250,256</u> | <u>43,210</u> |
| Total net position | <u>\$ 1,124,703</u> | <u>\$ 1,098,956</u> | <u>\$ 25,747</u> |

At the end of fiscal year 2020, the District shows a positive balance in its unrestricted net position of \$293,466 that may be utilized in future years.

ALTADENA LIBRARY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (Continued)

Analysis of Revenues and Expenses

Table A-2: Condensed Statement of Activities

| | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>Change</u> |
|-------------------------------|----------------------|----------------------|------------------|
| Program revenues | \$ 1,055,026 | \$ 1,045,860 | \$ 9,166 |
| Expenses | <u>(3,889,330)</u> | <u>(3,867,519)</u> | <u>(21,811)</u> |
| Net program expense | (2,834,304) | (2,821,659) | (12,645) |
| General revenues | <u>2,860,051</u> | <u>2,760,593</u> | <u>99,458</u> |
| Change in net position | 25,747 | (61,066) | 86,813 |
| Net position: | | | |
| Beginning of year | <u>1,098,956</u> | <u>1,160,022</u> | <u>(61,066)</u> |
| End of year | <u>\$ 1,124,703</u> | <u>\$ 1,098,956</u> | <u>\$ 25,747</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 increased by \$25,747 during the fiscal year ended June 30, 2020.

Table A-3: Total Revenues

| | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>Increase (Decrease)</u> |
|--|----------------------|----------------------|--------------------------------|
| Program revenues: | | | |
| Special assessments | \$ 849,727 | \$ 831,231 | \$ 18,496 |
| Charges for services | 98,789 | 131,414 | (32,625) |
| Operating grants and contributions | <u>106,510</u> | <u>83,215</u> | <u>23,295</u> |
| Total program revenues | <u>1,055,026</u> | <u>1,045,860</u> | <u>9,166</u> |
| General revenues: | | | |
| Property taxes | 2,742,000 | 2,586,197 | 155,803 |
| Property taxes - redevelopment increment | 47,029 | 44,374 | 2,655 |
| Investment earnings | 53,883 | 86,066 | (32,183) |
| Other revenues | <u>17,139</u> | <u>43,956</u> | <u>(26,817)</u> |
| Total general revenues | <u>2,860,051</u> | <u>2,760,593</u> | <u>99,458</u> |
| Total revenues | <u>\$ 3,915,077</u> | <u>\$ 3,806,453</u> | <u>\$ 108,624</u> |

Total revenues from all sources increased by 2.9%, or \$108,624 from \$3,806,453 to \$3,915,077, from the prior year, primarily due to increased property tax and special assessment revenues.

ALTADENA LIBRARY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (Continued)

Analysis of Revenues and Expenses (Continued)

Table A-4: Total Expenses

| | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>Increase (Decrease)</u> |
|------------------------|----------------------|----------------------|--------------------------------|
| Expenses: | | | |
| Salaries and benefits | \$ 1,887,366 | \$ 1,872,401 | \$ 14,965 |
| Employee benefits | 788,127 | 533,818 | 254,309 |
| Materials and services | 1,145,619 | 1,390,273 | (244,654) |
| Depreciation expense | <u>68,218</u> | <u>71,027</u> | <u>(2,809)</u> |
| Total expenses | <u>\$ 3,889,330</u> | <u>\$ 3,867,519</u> | <u>\$ 21,811</u> |

Total expenses for the District's operations increased by 0.6% or \$21,811 from \$3,867,519 to \$3,889,330, from the prior year, primarily due to an increase in employee benefit costs of \$254,309 while materials and services expenses decreased by (\$244,654).

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, 2020, the District reported a total fund balance of \$3,624,475. An amount of \$3,511,979 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 \$243,990 more than actual. The variance is principally due to less salaries and benefits expenses than actual. Actual revenues were more than the anticipated budget by \$118,377, mostly due to excess property tax and special assessment revenue.

ALTADENA LIBRARY DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2020

CAPITAL ASSET ADMINISTRATION

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

| | <u>Balance</u> <u>June 30, 2020</u> | <u>Balance</u> <u>June 30, 2019</u> | <u>Increase</u> <u>(Decrease)</u> |
|----------------------------------|--|--|--------------------------------------|
| Capital assets: | | | |
| Non-depreciable assets | \$ 179,780 | \$ 179,780 | \$ - |
| Depreciable assets | 1,924,976 | 1,874,221 | 50,755 |
| Accumulated depreciation | <u>(1,273,519)</u> | <u>(1,205,301)</u> | <u>(68,218)</u> |
| Total capital assets, net | <u>\$ 831,237</u> | <u>\$ 848,700</u> | <u>\$ (17,463)</u> |

At the end of fiscal year 2020, the District's investment in capital assets amounted to \$831,237 (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 \$44,915 and furniture and equipment totaling \$5,840.

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

FACTORS AFFECTING CURRENT FINANCIAL POSITION

Global Pandemic

At the end of the first quarter of calendar year 2020, the United States and global economy suffered a major decline due to the impact of the COVID-19 virus. This economic decline may affect the District's operations and investment earnings for the remainder of calendar year 2020 and beyond. However, the potential impact to the District is unknown at this time.

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, 2020**(With Comparative Amounts as of June 30, 2019)*

| | <u>ASSETS</u> | <u>2020</u> | <u>2019</u> |
|--|--|---------------------|---------------------|
| Current assets: | | | |
| Cash and investments (Note 2) | | \$ 3,571,503 | \$ 3,269,014 |
| Accrued interest receivable | | 9,114 | 16,396 |
| Property taxes and assessments receivable | | 189,990 | 155,670 |
| Accounts receivable – other | | 40,026 | 36,279 |
| Prepaid items | | 4,439 | 5,153 |
| Total current assets | | <u>3,815,072</u> | <u>3,482,512</u> |
| Non-current assets: | | | |
| Capital assets – not being depreciated (Note 3) | | 179,780 | 179,780 |
| Capital assets – being depreciated, net (Note 3) | | 651,457 | 668,920 |
| Total non-current assets | | <u>831,237</u> | <u>848,700</u> |
| Total assets | | <u>4,646,309</u> | <u>4,331,212</u> |
| | <u>DEFERRED OUTFLOWS OF RESOURCES</u> | | |
| Deferred amounts related to net pension liability (Note 5) | | 615,732 | 623,970 |
| Deferred amounts related to net OPEB liability (Note 6) | | 247,041 | 176,868 |
| Total deferred outflows of resources | | <u>862,773</u> | <u>800,838</u> |
| | <u>LIABILITIES</u> | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | | 177,060 | 155,740 |
| Accrued salaries and benefits | | 13,537 | 27,764 |
| Long-term liabilities – due in one year: | | | |
| Compensated absences (Note 4) | | 21,611 | 10,354 |
| Total current liabilities | | <u>212,208</u> | <u>193,858</u> |
| Non-current liabilities: | | | |
| Long-term liabilities – due in more than one year: | | | |
| Compensated absences (Note 4) | | 86,446 | 51,769 |
| Net pension liability (Note 5) | | 2,504,038 | 2,283,423 |
| Net other post-employment benefits obligations (Note 6) | | 1,024,083 | 1,280,972 |
| Total non-current liabilities | | <u>3,614,567</u> | <u>3,616,164</u> |
| Total liabilities | | <u>3,826,775</u> | <u>3,810,022</u> |
| | <u>DEFERRED INFLOWS OF RESOURCES</u> | | |
| Deferred amounts related to net pension liability (Note 5) | | 216,988 | 219,303 |
| Deferred amounts related to net OPEB liability (Note 6) | | 340,616 | 3,769 |
| Total deferred inflows of resources | | <u>557,604</u> | <u>223,072</u> |
| | <u>NET POSITION</u> | | |
| Investment in capital assets | | 831,237 | 848,700 |
| Unrestricted | | 293,466 | 250,256 |
| Total net position | | <u>\$ 1,124,703</u> | <u>\$ 1,098,956</u> |

ALTADENA LIBRARY DISTRICT*Statement of Activities**For the Fiscal Year Ended June 30, 2020**(With Comparative Amounts for the Fiscal Year Ended June 30, 2019)*

| | Governmental Activities | |
|--|--------------------------------|---------------------|
| | 2020 | 2019 |
| Expenses: | | |
| Library operations: | | |
| Salaries and wages | \$ 1,887,366 | \$ 1,872,401 |
| Employee benefits | 788,127 | 533,818 |
| Materials and services | 1,145,619 | 1,390,273 |
| Depreciation expense | 68,218 | 71,027 |
| Total expenses | 3,889,330 | 3,867,519 |
| Program revenues: | | |
| Charges for services: | | |
| Special assessments | 849,727 | 831,231 |
| Charges for services | 98,789 | 131,414 |
| Operating grants and contributions | 106,510 | 83,215 |
| Total program revenues | 1,055,026 | 1,045,860 |
| Net program expense | (2,834,304) | (2,821,659) |
| General revenues: | | |
| Property taxes | 2,742,000 | 2,586,197 |
| Property taxes – redevelopment increment | 47,029 | 44,374 |
| Investment earnings | 53,883 | 86,066 |
| Other revenues | 17,139 | 43,956 |
| Total general revenues | 2,860,051 | 2,760,593 |
| Change in net position | 25,747 | (61,066) |
| Net position: | | |
| Beginning of year | 1,098,956 | 1,160,022 |
| End of year | \$ 1,124,703 | \$ 1,098,956 |

ALTADENA LIBRARY DISTRICT
Balance Sheet – Governmental Funds
June 30, 2020
(With Comparative Amounts as of June 30, 2019)

| | <u>General Fund</u> | |
|---|---------------------|---------------------|
| | <u>2020</u> | <u>2019</u> |
| ASSETS | | |
| Assets: | | |
| Cash and investments | \$ 3,571,503 | \$ 3,269,014 |
| Accrued interest receivable | 9,114 | 16,396 |
| Property taxes and assessments receivable | 189,990 | 155,670 |
| Accounts receivable – other | 40,026 | 36,279 |
| Prepaid items | 4,439 | 5,153 |
| Total assets | <u>\$ 3,815,072</u> | <u>\$ 3,482,512</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 177,060 | \$ 155,740 |
| Accrued salaries and benefits | 13,537 | 27,764 |
| Total liabilities | <u>190,597</u> | <u>183,504</u> |
| Fund balance: (Note 7) | | |
| Nonspendable | 4,439 | 5,153 |
| Assigned | 108,057 | 62,123 |
| Unassigned | 3,511,979 | 3,231,732 |
| Total fund balance | <u>3,624,475</u> | <u>3,299,008</u> |
| Total liabilities and fund balance | <u>\$ 3,815,072</u> | <u>\$ 3,482,512</u> |

ALTADENA LIBRARY DISTRICT*Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**June 30, 2020**(With Comparative Amounts as of June 30, 2019)*

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------------------|-----------------------------------|
| Fund Balances – Governmental Funds | \$ 3,624,475 | \$ 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: | 831,237 | 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. | 862,773 | 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 | (108,057) | (62,123) |
| Net other post-employment benefits obligations | (1,024,083) | (1,280,972) |
| Net pension liability | (2,504,038) | (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. | (557,604) | (223,072) |
| Total adjustments | <u>(2,499,772)</u> | <u>(2,200,052)</u> |
| Net Position of Governmental Activities | <u><u>\$ 1,124,703</u></u> | <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, 2020**(With Comparative Amounts for the Fiscal Year Ended June 30, 2019)*

| | General Fund | |
|--|---------------------|---------------------|
| | 2020 | 2019 |
| Revenues: | | |
| Property taxes | \$ 2,742,000 | \$ 2,586,197 |
| Property taxes – redevelopment increment | 47,029 | 44,374 |
| Special assessments | 849,727 | 831,231 |
| Charges for services | 98,789 | 131,414 |
| Operating grants and contributions | 106,510 | 83,215 |
| Investment earnings | 53,883 | 86,066 |
| Other revenues | 17,139 | 43,956 |
| Total revenues | 3,915,077 | 3,806,453 |
| Expenditures: | | |
| Current: | | |
| Salaries and wages | 1,841,432 | 1,881,245 |
| Employee benefits | 551,804 | 501,590 |
| Materials and services | 1,145,619 | 1,390,273 |
| Capital outlay | 50,755 | 82,158 |
| Total expenditures | 3,589,610 | 3,855,266 |
| Net change in fund balance | 325,467 | (48,813) |
| Fund balance: | | |
| Beginning of year | 3,299,008 | 3,347,821 |
| End of year | <u>\$ 3,624,475</u> | <u>\$ 3,299,008</u> |

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, 2020**(With Comparative Amounts for the Fiscal Year Ended June 30, 2019)*

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|--------------------|
| Net Change in Fund Balances – Governmental Funds | \$ 325,467 | \$ (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 | (45,934) | 8,844 |
| Change in net pension liability | (226,538) | (25,425) |
| Change in net other post-employment benefits obligations | (9,785) | (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 | | |
| Capital outlay | 50,755 | 82,158 |
| Depreciation expense | (68,218) | (71,027) |
| Total adjustments | (299,720) | (12,253) |
| Change in Net Position of Governmental Activities | \$ 25,747 | \$ (61,066) |

ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

June 30, 2020

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 provide 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, 2020

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.

ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

June 30, 2020

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. 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 |

4. 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.

5. 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.

6. 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) plans 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 currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained at the CalPERS’s website. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2018 |
| Measurement Date | June 30, 2019 |
| Measurement Period | July 1, 2018 to 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)

7. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Other Post-Employment Retiree Benefits Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2018 |
| Measurement Date | June 30, 2019 |
| Measurement Period | July 1, 2018 to June 30, 2019 |

8. Net Position

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

- **Investment in capital assets** - This component of net position consists of capital assets net of accumulated depreciation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of investment in capital assets.

9. 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.

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.

ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

June 30, 2020

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 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.

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. Budgetary Accounting

An annual unappropriated budget, which establishes the total spending authority for the General Fund, is adopted by the Board of Directors just prior to the beginning of the District's fiscal year. Estimated revenue is the original estimate with modifications for new programs which are anticipated to be received during the fiscal year. Expenditures cannot legally exceed appropriations at the fund level. Appropriations for the General Fund lapse at the end of the fiscal year. The Board of Directors may authorize amendments to the budget during the year as deemed necessary. Budgeted amounts were not amended for the fiscal year ended June 30, 2020.

G. Reclassifications

Certain amounts presented in the statement of net position and the statement of activities in the comparative prior period financial statements have been reclassified to conform to the presentation of the current period financial statements. These reclassifications had no effect on the previously reported change in net position or change in fund balance.

ALTADENA LIBRARY DISTRICT
Notes to Financial Statements
June 30, 2020

NOTE 2 – CASH AND INVESTMENTS

Cash and investments at June 30, 2020, consist of the following:

| <u>Description</u> | <u>Balance</u> |
|---|----------------------------|
| Cash on hand | \$ 850 |
| Deposits held with financial institutions | 292,953 |
| Los Angeles County Pooled Investment Fund | <u>3,277,700</u> |
| Total cash and cash equivalents | <u>\$ 3,571,503</u> |

Demand Deposits

At June 30 2020, the carrying amount of the District's demand deposits were \$630,227, and the financial institution's balance was \$711,211. The net difference of \$80,984 represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Los Angeles County Pooled Investment Fund (LACPIF)

The District is a voluntary participant in the Los Angeles County Pooled Investment Fund (LACPIF) 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 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.

LACPIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers the LACPIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2020, the District held \$3,774,394 in LACPIF.

ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

June 30, 2020

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, 2020, the District's investment in the LACPIF was rated by Standard & Poor's as AAf/S1.

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 LACPIF.

NOTE 3 – CAPITAL ASSETS

Changes in capital assets for the year were as follows:

| Description | Balance July 1, 2019 | Additions | Deletions/ Transfers | Balance June 30, 2020 |
|---------------------------------------|-------------------------|--------------------|-------------------------|--------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 77,280 | \$ - | \$ - | \$ 77,280 |
| Artwork | 102,500 | - | - | 102,500 |
| Total non-depreciable assets | 179,780 | - | - | 179,780 |
| Depreciable assets: | | | | |
| Library building | 1,599,629 | 44,915 | - | 1,644,544 |
| Branch building | 77,933 | - | - | 77,933 |
| Furniture and equipment | 196,659 | 5,840 | - | 202,499 |
| Total depreciable assets | 1,874,221 | 50,755 | - | 1,924,976 |
| Accumulated depreciation: | | | | |
| Library building | (1,037,510) | (47,648) | (590) | (1,085,748) |
| Branch building | (77,933) | - | - | (77,933) |
| Furniture and equipment | (89,858) | (20,570) | 590 | (109,838) |
| Total accumulated depreciation | (1,205,301) | (68,218) | - | (1,273,519) |
| Total depreciable assets, net | 668,920 | (17,463) | - | 651,457 |
| Total capital assets, net | \$ 848,700 | \$ (17,463) | \$ - | \$ 831,237 |

NOTE 4 – 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, 2020 were as follows:

| Balance July 1, 2019 | Additions | Deletions | Balance June 30, 2020 | Due Within One Year | Due in More Than One Year |
|-------------------------|-----------|-------------|--------------------------|------------------------|------------------------------|
| \$ 62,123 | \$ 96,002 | \$ (50,068) | \$ 108,057 | \$ 21,611 | \$ 86,446 |

ALTADENA LIBRARY DISTRICT
Notes to Financial Statements
 June 30, 2020

NOTE 5 – PENSION PLAN

Summary

A summary of the District’s pension plan deferred outflows/inflows and net pension liability account balances for the fiscal year ending June 30, 2020 is as follows:

| <u>Description</u> | <u>2020</u> |
|-----------------------------------|-------------|
| Pension related deferred outflows | \$ 615,732 |
| Net pension liability | 2,504,038 |
| Pension related deferred inflows | 216,988 |

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):

| | <u>Miscellaneous Plans</u> | | |
|---|-------------------------------|----------------------------------|--------------------------------|
| | <u>Classic Tier 1</u> | <u>Classic Tier 2</u> | <u>PEPRA Tier 2</u> |
| | Prior to December 24, 2012 | On or after December 24, 2012 | On or after January 1, 2013 |
| Hire date | | | |
| Benefit formula | 2.0% @ 55 | 2.0% @ 60 | 2.0% @ 62 |
| Benefit vesting schedule | 5-years of service | 5-years of service | 5-years of service |
| Benefits payments | monthly for life | monthly for life | monthly for life |
| Retirement age | 50 - 67 & up | 50 - 67 & up | 52 - 67 & up |
| Monthly benefits, as a % of eligible compensation | 1.0% to 2.0% | 1.0% to 2.0% | 1.0% to 2.0% |
| Required member contribution rates | 6.902% | 6.912% | 6.500% |
| Required employer contribution rates – FY 2019 | 10.152% | 8.811% | 7.266% |

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, 2019 (Measurement Date), the following members were covered by the benefit terms:

| <u>Plan Members</u> | <u>Miscellaneous Plans</u> | | <u>Total</u> |
|------------------------------------|-------------------------------|---------------------|--------------|
| | <u>Classic Tier 1 & 2</u> | <u>PEPRA Tier 3</u> | |
| Active members | 4 | 15 | 19 |
| Transferred and terminated members | 15 | 7 | 22 |
| Retired members and beneficiaries | 23 | - | 23 |
| Total plan members | 42 | 22 | 64 |

ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

Years Ended June 30, 2020

NOTE 5 – PENSION PLAN (Continued)

General Information about the Pension Plans (Continued)

Benefits Provided

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

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

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.15 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, 2020

NOTE 5 – PENSION PLAN (Continued)

General Information about the Pension Plans (Continued)

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ended June 30, 2018 (Measurement Date), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRA Miscellaneous Plan are based above in the Plans Description schedule.

Contributions for the year ended June 30, 2020, were as follows:

| Contribution Type | Miscellaneous Plans | | Total |
|--------------------------|---------------------|--------------|------------|
| | Classic Tier 1 & 2 | PEPRA Tier 3 | |
| Contributions – employer | \$ 168,555 | \$ 87,150 | \$ 255,705 |

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement period ended June 30, 2019 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2019 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 | 2.75% |
| Salary Increases | Varies by Entry Age and Service |
| Mortality Rate Table | Derived using CalPERS’ Membership Data for all Funds. |
| Post Retirement Benefit Increase | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter |

All other actuarial assumptions used in the June 30, 2018 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, 2020

NOTE 5 – PENSION PLAN (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 | 50.0% | 4.80% | 5.98% |
| Fixed income | 28.0% | 1.00% | 2.62% |
| Inflation assets | 0.0% | 0.77% | 1.81% |
| Private equity | 8.0% | 6.30% | 7.23% |
| Real assets | 13.0% | 3.75% | 4.93% |
| Liquidity | 1.0% | 0.00% | -0.92% |
| | 100.0% | | |

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 - | Current Discount | Discount Rate + |
| | 1% 6.15% | Rate 7.15% | 1% 8.15% |
| CalPERS – Miscellaneous Plan | 3,787,763 | \$ 2,504,038 | \$ 1,444,414 |

ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

Years Ended June 30, 2020

NOTE 5 – PENSION PLAN (Continued)

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

Pension Plan Fiduciary Net Position

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

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's 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, 2018 (Measurement Date) | \$ 9,222,570 | \$ 6,939,146 | \$ 2,283,424 |
| Balance as of June 30, 2019 (Measurement Date) | \$ 9,544,209 | \$ 7,040,171 | \$ 2,504,038 |
| Change in Plan Net Pension Liability | \$ 321,639 | \$ 101,025 | \$ 220,614 |

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, 2018). 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, 2019). 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, 2019 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2019 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, 2020

NOTE 5 – PENSION PLAN (Continued)

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

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

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

| | Percentage Share of Risk Pool | | Change Increase/ (Decrease) |
|---|---|---|--|
| | Fiscal Year Ending June 30, 2020 | Fiscal Year Ending June 30, 2019 | |
| | June 30, 2019 | June 30, 2018 | |
| Measurement Date | June 30, 2019 | June 30, 2018 | |
| Percentage of Risk Pool Net Pension Liability | 0.062531% | 0.060589% | 0.001942% |
| Percentage of Plan (PERF C) Net Pension Liability | 0.024437% | 0.023696% | 0.000741% |

For the year ended June 30, 2020, the District recognized pension expense/(credit) in the amount of \$482,244 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 EARSLS for PERF C for the measurement date ending June 30, 2019 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, 2020, 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 | \$ 255,705 | \$ - |
| Difference between actual and proportionate share of employer contributions | - | (117,407) |
| Adjustment due to differences in proportions | 66,706 | - |
| Differences between expected and actual experience | 173,916 | (13,475) |
| Differences between projected and actual earnings on pension plan investments | - | (43,778) |
| Changes in assumptions | 119,405 | (42,328) |
| Total Deferred Outflows/(Inflows) of Resources | \$ 615,732 | \$ (216,988) |

ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

Years Ended June 30, 2020

NOTE 5 – PENSION PLAN (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, 2020, 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> |
|--|---|
| 2021 | \$ 149,500 |
| 2022 | (33,368) |
| 2024 | 18,061 |
| 2025 | 8,846 |
| Total | \$ 143,039 |

As of June 30, 2020, there were no outstanding payables to the pension plan.

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS

A. General Information about the OPEB Plan

Summary

A summary of the District's OPEB plan deferred outflows/inflows and net pension liability account balances for the fiscal year ending June 30, 2020 is as follows:

| <u>Description</u> | <u>2020</u> |
|---|-------------|
| OPEB related deferred outflows | \$ 247,041 |
| Net other post-employment benefits obligation | 1,024,083 |
| OPEB related deferred inflows | 340,616 |

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.

ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

Years Ended June 30, 2020

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. General Information about the OPEB Plan (Continued)

Benefits provided

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. 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 June 30, 2019, the following employees were covered by the benefit terms:

| | <u>2019</u> |
|---|-------------|
| Inactive plan members or beneficiaries currently receiving benefit payments | 14 |
| Inactive plan members entitled to but not yet receiving benefit payments | 1 |
| Active plan members | 19 |
| Total | <u>34</u> |

B. Total OPEB Liability

The District's total OPEB liability of \$1,024,083 for the District Plan as measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | <u>June 30, 2019</u> |
|-----------------------------|----------------------|
| Valuation Date | N/A |
| Experience Study | 5.70% |
| Discount rate | 2.50% |
| Inflation | 3.00% |
| Salary increases | 5.70% |
| Investment rate of return | 4.0 percent |
| Healthcare cost trend rates | |

ALTADENA LIBRARY DISTRICT
Notes to Financial Statements
Years Ended June 30, 2020

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Total OPEB Liability (Continued)

District Plan

The discount rate is 5.70 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.

At the time the June 2019 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 must use the 5.7% 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, 2019 and beyond and the expected allocation were as follows:

| Asset Class | Target Allocation | LTERR |
|-----------------|-------------------|-------|
| Global Equities | 40% | 6.80% |
| Fixed Income | 43% | 3.10% |
| REITs | 8% | 5.50% |
| TIPS | 5% | 2.25% |
| Commodities | 4% | 3.50% |
| 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, 2019 (Measurement date July 1, 2018) | \$ 1,766,594 | \$ 485,622 | \$ 1,280,972 |
| Changes for the year: | | | |
| Service cost | 93,540 | - | 93,540 |
| Interest | 108,531 | - | 108,531 |
| Change in assumptions | (282,036) | - | (282,036) |
| Net investment income | - | 35,124 | (35,124) |
| Employer contributions | - | 141,905 | (141,905) |
| Benefit payments | (82,905) | (82,905) | - |
| Administrative expense | - | (105) | 105 |
| Net changes | (162,870) | 94,019 | (256,889) |
| Balance at June 30, 2020 (Measurement date June 30, 2019) | \$ 1,603,724 | \$ 579,641 | \$ 1,024,083 |

ALTADENA LIBRARY DISTRICT*Notes to Financial Statements**Years Ended June 30, 2020***NOTE 6 – 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 4.70% | Discount Rate 5.70% | 1% Increase 6.70% |
|----------------------|------------------------|----------------------|
| \$ 1,255,665 | \$ 1,024,083 | \$ 836,918 |

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 4.4% | Healthcare Cost Trend Rates 5.4% | 1% Increase 6.4% |
|---------------------|--|---------------------|
| \$ 820,128 | \$ 1,024,083 | \$ 1,281,689 |

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$137,905. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| Account Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| OPEB contributions made after the measurement date | \$ 128,120 | \$ - |
| Changes in assumptions | 114,027 | (2,981) |
| Differences between expected and actual experience | - | (337,635) |
| Differences between projected and actual earnings on OPEB plan investments | 4,894 | - |
| Total Deferred Outflows/(Inflows) of Resources | \$ 247,041 | \$ (340,616) |

ALTADENA LIBRARY DISTRICT
Notes to Financial Statements
Years Ended June 30, 2020

NOTE 6 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

At June 30, 2020, the District reported \$128,120 of deferred outflows of resources for employer contributions made subsequent to the measurement date which will be used to reduce the net OPEB liability balance in the coming year. Amortization of the (\$221,695) of remaining deferred outflows/(inflows) of resources, net related to the net OPEB obligation is as follows:

| <u>Amortization Period</u> <u>Fiscal Year Ended June 30</u> | <u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u> |
|--|---|
| 2021 | \$ (32,079) |
| 2022 | (32,081) |
| 2023 | (33,909) |
| 2024 | (36,070) |
| 2025 | (38,896) |
| Thereafter | <u>(48,660)</u> |
| Total | \$ <u>(221,695)</u> |

NOTE 7 – FUND BALANCES

At June 30, 2020, fund balances of the District’s governmental funds were classified as follows:

| <u>Description</u> | <u>Balance</u> |
|---|----------------------------|
| Nonspendable: | |
| Prepaid items | \$ 4,439 |
| Assigned: | |
| Compensated absences | 108,057 |
| Unassigned: | |
| Unassigned | <u>3,511,979</u> |
| Total net investment in capital assets | \$ <u>3,624,475</u> |

NOTE 8 – DEFERRED COMPENSATION SAVINGS PLAN

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

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

ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

Years Ended June 30, 2020

NOTE 9 – RISK MANAGEMENT

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

| | | |
|---|---|-----------------------|
| A. Entity | SDRMA | |
| B. Purpose | To pool member contributions and realize the advantages of self-insurance | |
| C. Participants | As of June 30, 2019 – 509 member agencies | |
| D. Governing board | Seven representatives employed by members | |
| E. District payments for FY 2020: | | |
| Property/Liability policy | \$33,011 | |
| F. Condensed financial information | June 30, 2019 | |
| Statement of net position: | | June 30, 2019 |
| Total assets | | <u>\$ 117,357,664</u> |
| Deferred outflows | | <u>590,733</u> |
| Total liabilities | | <u>61,466,303</u> |
| Deferred inflows | | <u>117,531</u> |
| Net position | | <u>\$ 56,364,563</u> |
| Statement of revenues, expenses and changes in net position: | | |
| Total revenues | | \$ 76,136,955 |
| Total expenses | | <u>(74,357,125)</u> |
| Change in net position | | 1,779,830 |
| Beginning – net position | | 54,584,733 |
| Ending – net position | | <u>\$ 56,364,563</u> |
| G. Member agencies share of year-end financial position | | Not Calculated |

At June 30, 2020, 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 official's liability, which increases the limits on the insurance coverage noted above.

ALTADENA LIBRARY DISTRICT

Notes to Financial Statements

Years Ended June 30, 2020

NOTE 9 – RISK MANAGEMENT (Continued)

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.
- 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 official's 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 2020, 2019, and 2018. 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, 2020, 2019, and 2018.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Grant Awards

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

Litigation

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

NOTE 11 – SUBSEQUENT EVENTS

Events subsequent to June 30, 2020, have been evaluated through November 5, 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

DRAFT

ALTADENA LIBRARY DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2020

| | Adopted Original/Final Budget | Actual | Variance Positive (Negative) |
|------------------------------------|--|---------------------|---|
| Revenues: | | | |
| Property taxes | \$ 2,689,300 | \$ 2,789,029 | \$ 99,729 |
| Special assessments | 846,400 | 849,727 | 3,327 |
| Charges for services | 131,000 | 98,789 | (32,211) |
| Operating grants and contributions | 61,000 | 106,510 | 45,510 |
| Investment earnings | 21,000 | 53,883 | 32,883 |
| Other revenues | 48,000 | 17,139 | (30,861) |
| Total revenues | 3,796,700 | 3,915,077 | 118,377 |
| Expenditures: | | | |
| Current: | | | |
| Salaries and wages | 1,943,800 | 1,841,432 | 102,368 |
| Employee benefits | 589,200 | 551,804 | 37,396 |
| Materials and services | 1,188,300 | 1,145,619 | 42,681 |
| Capital outlay | 112,300 | 50,755 | 61,545 |
| Total expenditures | 3,833,600 | 3,589,610 | 243,990 |
| Net change in fund balance | \$ (36,900) | 325,467 | \$ 362,367 |
| Fund balance: | | | |
| Beginning of year | | 3,299,008 | |
| End of year | | <u>\$ 3,624,475</u> | |

ALTADENA LIBRARY DISTRICT

*Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2020*

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

| Measurement Date: | June 30, 2019¹ | June 30, 2018¹ | June 30, 2017¹ | June 30, 2016¹ | June 30, 2015¹ | June 30, 2014¹ |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| District's Proportion of the Net Pension Liability | 0.024437% | 0.023696% | 0.023216% | 0.022722% | 0.021385% | 0.022681% |
| District's Proportionate Share of the Net Pension Liability | \$ 2,504,038 | \$ 2,283,423 | \$ 2,302,407 | \$ 1,966,172 | \$ 1,467,863 | \$ 1,411,297 |
| District's Covered Payroll | \$ 1,089,459 | \$ 1,164,987 | \$ 1,126,039 | \$ 1,186,696 | \$ 1,025,728 | \$ 1,173,208 |
| District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | 229.84% | 196.00% | 204.47% | 165.68% | 143.10% | 120.29% |
| Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability | 73.76% | 75.24% | 75.05% | 76.86% | 82.04% | 83.03% |

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, 2020

| Fiscal Year: | Last Ten Fiscal Years | | | | | | |
|--|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | California Public Employees' Retirement System (CalPERS) Miscellaneous Plan | | | | | | |
| | 2019-20 ¹ | 2018-19 ¹ | 2017-18 ¹ | 2016-17 ¹ | 2015-16 ¹ | 2014-15 ¹ | 2013-14 ¹ |
| Actuarially Determined Contribution ² | \$ 255,705 | \$ 215,284 | \$ 180,238 | \$ 161,019 | \$ 159,147 | \$ 118,239 | \$ 100,578 |
| Contribution in Relation to the Actuarially Determined Contribution ² | (255,705) | (215,284) | (180,238) | (161,019) | (159,147) | (118,239) | (100,578) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's Covered Payroll ³ | \$ 1,201,555 | \$ 1,089,459 | \$ 1,164,987 | \$ 1,126,039 | \$ 1,186,696 | \$ 1,025,728 | \$ 1,173,208 |
| Contributions as a Percentage of Covered Payroll | 21.28% | 19.76% | 15.47% | 14.30% | 13.41% | 11.53% | 8.57% |

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

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

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

Notes to the Schedule:

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

ALTADENA LIBRARY DISTRICT

*Schedule of Changes in the District's Net OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2020*

Last Ten Fiscal Years

| Fiscal Year - Measurement Date | 2019 | 2018 | 2017 |
|--|---------------------|---------------------|---------------------|
| Total OPEB liability | | | |
| Service cost | \$ 93,540 | \$ 85,458 | \$ 82,767 |
| Interest | 108,531 | 104,602 | 97,819 |
| Changes of assumptions | (282,036) | 25,309 | - |
| Benefit payments | (82,905) | (73,922) | (75,542) |
| Net change in total OPEB liability | (162,870) | 141,447 | 105,044 |
| Total OPEB liability - beginning | 1,766,594 | 1,625,147 | 1,520,103 |
| Total OPEB liability - ending | \$ 1,603,724 | \$ 1,766,594 | \$ 1,625,147 |
| Plan fiduciary net position | | | |
| Net investment income | \$ 35,124 | \$ 25,154 | \$ 18,767 |
| Contributions - employer | 141,905 | - | 215,546 |
| Benefit payments | (82,905) | (73,922) | (75,542) |
| Administrative expense | (105) | (987) | (224) |
| Net change in plan fiduciary net position | 94,019 | (49,755) | 158,547 |
| Plan fiduciary net position - beginning | 485,622 | 535,377 | 376,830 |
| Plan fiduciary net position - ending | \$ 579,641 | \$ 485,622 | \$ 535,377 |
| District's net OPEB liability | \$ 1,024,083 | \$ 1,280,972 | \$ 1,089,770 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 36.14% | 27.49% | 32.94% |
| Covered-employee payroll | \$ 1,268,278 | \$ 1,387,550 | \$ 1,164,987 |
| District's net OPEB liability as a percentage of covered-employee payroll | 80.75% | 92.32% | 93.54% |

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, 2020

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, 2019.

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 4.0%

Other Independent Auditors' Report

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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, 2020, 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 November 5, 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.

Murrieta, California
November 5, 2020

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