

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

We have audited the financial statements of Placentia Library District of Orange County (the District) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated March 13, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2015. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the District's financial statements were:

- a. Management's estimate of useful lives of capital assets for depreciation purposes are based on industry standards.
- b. Management's estimates of compensated absences, which is based on the employee's accrued vacation and sick leave hours and current salary rates.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Significant Audit Findings (Continued)

Qualitative Aspects of Accounting Practices (Continued)

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements were reported in Note 5 regarding the defined contribution pension plan.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

The District's financial statements are compiled using two accounting information systems as sources of information: the County of Orange's accounting system and the District's accounting system (QuickBooks). Some accounting transactions, such as payroll, are recorded in both systems and therefore the District goes through a complex elimination process to account for these transactions that are in both systems. As there are no documented procedures related to the elimination of duplicate entries, we encountered some difficulties in performing audit procedures to verify that the elimination process and therefore the financial statements were accurate and complete. Furthermore, the District's beginning fund balance was not properly reconciled for fiscal year 2015, thus resulting in significant delays in the audit process due to the time necessary to identify correcting journal entries.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management:

- Adjustment to accrue payroll liability at year-end.
- Adjustment to accrue liability for expenses incurred before year-end.
- Adjustments to remove accounts balances from prior years.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 11, 2016.

Significant Audit Findings (Continued)

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison schedule, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restrictions on Use

This information is intended solely for the use of the Board of Trustees and management of the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Dick Evans LLP

Irvine, California
April 11, 2016

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

In planning and performing our audit of the financial statements of the governmental activities and major fund of the Placentia Library District of Orange County (the District) as of and for the year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in internal control to be material weaknesses:

Two Accounting Information Systems

The District uses two accounting information systems as the primary method to capture financial activity necessary to prepare the annual financial statements. In addition, there are some transactions that originate purely with the District, such as library user fees, passport fees and state grants that are processed and recorded by the District in QuickBooks. The cash is then transferred to the County and reflected by the County as revenue. Management's process of compiling financial statements for the District involves combining transactions from both these accounting information systems and eliminating those transactions that are recorded in both systems. This elimination process is complex and there are no documented procedures to assist in this process, but rather a manual identification of certain types of transactions is performed in order to complete this elimination. Such an overly complex financial reporting process can result in unnecessary errors and difficulties in establishing internal controls to prevent and/or detect errors. We recommend that the District use only one accounting information system to ensure that accurate and reliable financial data is captured in the District's financial reporting process.

Supporting Account Balance Schedules and Reconciliations

We noted several instances where supporting schedules and reconciliations did not tie to the general ledger account balances in the areas of cash, receivables, capital assets, and accounts payable nor were these schedules updated and maintained. In addition the District does not have proper controls or oversight to ensure complete schedules for account balances to ensure complete asset and liability accounts. We determined that these variances were significant to the financial statements. It is important that these supporting schedules reconcile to general ledger balances to allow for accurate financial reporting. We recommend that management review and update these supporting schedules and reconciliations and establish procedures to ensure that these supporting schedules and reconciliations are monitored on a regular basis throughout the year to ensure that they reconcile to the general ledger balances.

Closing Out Equity from Prior Year

We noted that the District did not record prior period adjustments in either of the two accounting systems and therefore prior year fund balances did not roll forward correctly. By not properly recording prior period entries, the District has the possibility materially of over or understating their financial position. We recommend that the District record entries provided by the auditors on an on-going basis to ensure financial statement accuracy.

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.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

White Nelson Dick Evans LLP

Irvine, California
April 11, 2016

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

FINANCIAL STATEMENTS

**WITH REPORT ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

FOR THE YEAR ENDED JUNE 30, 2015

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

TABLE OF CONTENTS

For the year ended June 30, 2015

	<u>Page Number</u>
Independent Auditors' Report	1 - 2
Management's Discussion and Analysis (Required Supplementary Information)	3 - 9
Basic Financial Statements:	
Government-Wide:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Fund	12
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	15
Notes to Basic Financial Statements	16
Required Supplementary Information:	
Budgetary Comparison Schedule - General Fund	32
Note to Required Supplementary Information	33

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Placentia Library District of Orange County (the District) as of and for the year ended June 30, 2015, 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 an opinion 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 State Controller's Minimum Audit Requirements for California Special Districts. 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 auditors' 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 auditors consider internal control relevant to the District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Placentia Library District of Orange County as of June 30, 2015 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as the accounting systems prescribed by the State Controller's Office and State Regulations governing Special Districts.

Other Matter

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule, identified as Required Supplementary Information (RSI) in the accompanying table of contents, 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 RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

White Nelson Dick Evans LLP

Irvine, California
April 11, 2016

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Management's Discussion and Analysis

For the Year Ended June 30, 2015

(Unaudited)

As management of the Placentia Library District of Orange County (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements, which can be found on pages 10 to 15 of this report.

Financial Highlights

- 📖 The assets of the District exceeded its liabilities at the close of the most recent year by \$4,274,471 (*net position*). Of this amount, \$2,740,505 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- 📖 The District's total net position increased by \$178,451. This increase is mainly attributable to savings in salaries, benefits and communication expenses. In addition, the District received \$52,984 in Impact Fees.
- 📖 As of the close of the current year, the District's general fund reported ending fund balance of \$3,248,630, an increase of \$151,546 in comparison with the prior year. Approximately 86 percent of this total amount, \$2,788,566 is available for spending at the government's discretion (*unassigned fund balance*).
- 📖 The District's noncurrent liabilities increased by \$3,848 during the current year due to the increase in compensated absences.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015 (Unaudited)

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

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

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
 Management's Discussion and Analysis (Continued)
 For the Year Ended June 30, 2015 (Unaudited)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$4,274,471 at June 30, 2015.

Approximately 25 percent of the District's net position reflects its net investment in capital assets (e.g., land, buildings, furniture and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the District's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Placentia Library District of Orange County Statements of Net Position Governmental Activities				
	2014-15	2013-14	\$ Change	% Change
Current and other assets	3,324,206	\$3,170,833	\$153,373	4.8%
Capital assets	1,074,356	1,043,603	30,753	2.9%
Total Assets	<u>4,398,562</u>	<u>4,214,436</u>	<u>184,126</u>	4.4%
Noncurrent liabilities	48,061	44,213	3,848	8.7%
Other liabilities	76,030	74,203	1,827	2.5%
Total Liabilities	<u>124,091</u>	<u>118,416</u>	<u>5,675</u>	4.8%
Net position:				
Net investments in capital assets	1,074,356	1,043,603	30,753	2.9%
Restricted	459,610	406,626	52,984	13.0%
Unrestricted	2,740,505	2,645,791	94,714	3.6%
Total net position	<u>\$ 4,274,471</u>	<u>\$ 4,096,020</u>	<u>\$ 178,451</u>	4.4%

Unrestricted net position of \$2,740,505 may be used to meet the District's ongoing obligations to citizens and creditors.

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

- ☐ Increase in current and other assets of \$184,126 from prior year is mainly due to the result of the District's operations.
- ☐ Increase in capital assets is due to current year acquisition of \$91,785 offset by current year depreciation of \$61,032.
- ☐ Increase in noncurrent liabilities of \$3,848 from the prior year is primarily due to the compensated absences.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015 (Unaudited)

Placentia Library District of Orange County Statement of Activities Governmental Activities				
	2014-15	2013-14	\$ Change	% Change
Program revenues:				
Charges for services	\$ 242,244	\$ 202,206	\$ 40,038	19.8%
Operating grants and contributions	138,458	142,091	(3,633)	-2.6%
Subtotal	<u>380,702</u>	<u>344,297</u>	<u>36,405</u>	10.6%
General revenues:				
Property tax	2,100,845	1,959,157	141,688	7.2%
Unrestricted investment earnings	9,785	7,066	2,719	38%
Subtotal	<u>2,110,630</u>	<u>1,966,223</u>	<u>144,407</u>	7.3%
Total revenues	<u>2,491,332</u>	<u>2,310,520</u>	<u>180,812</u>	7.8%
Expenses:				
General government	2,312,881	2,137,150	175,731	8.2%
Interest	0	149	(149)	-100%
Total governmental activities	<u>2,312,881</u>	<u>2,137,299</u>	<u>175,582</u>	8.2%
Change in net position	178,451	173,221	5,230	3.0%
Net position - beginning of year	4,096,020	3,922,799	173,221	4.4%
Net position - end of year	<u>\$ 4,274,471</u>	<u>\$ 4,096,020</u>	<u>\$ 178,451</u>	4.4%

The government's net position increased by \$178,451, a smaller increase from the prior year. Key elements of the current year are an increase in general government revenue of the District.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015 (Unaudited)

Financial Analysis of the District's Governmental Fund

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the year ended June 30, 2015, the District's general fund reported ending fund balance of \$3,248,176 an increase of \$151,546 in comparison with the prior year. Approximately 86 percent of this total amount, \$2,788,566 constitutes *unassigned fund balance*, which is available for spending at the District's discretion.

The general fund is the chief operating fund of the District. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents 119 percent of total fund expenditures, and total fund balance represents 139 percent of that same amount.

The fund balance of the District's general fund increased by \$151,546 during the current year compared to an increase of \$160,132 in the prior year. Key factor for the decrease from the prior year is due to increase in expenditures by \$139,398 as result of the operations on the current year.

Approximately 14 percent of the District's fund balance is subject to external restriction on how they may be used.

General Fund Budgetary Highlights

There were differences between the original budget and the final amended budget. Current year expenditures exceeded budgeted expenditures in the following areas:

- 📖 Professional services exceeded budget by \$14,408 due to unanticipated consultant services needed to conduct feasibility study.
- 📖 Library programs exceeded budget by \$45,086 - Expenditures in this category include Adult, Teen, and Children's programs sponsored by the PLFF, not included in the budget. The District participated in the State Library "One million reader challenge that was an unanticipated program.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015 (Unaudited)

Capital Asset and Debt Administration

Capital Assets. The District spent \$91,785 on the acquisition of equipment and building improvements.

Long-term obligations. At the end of the current year, the District had total noncurrent liabilities outstanding of \$48,061, which represents the District's obligation to its employees for compensated absences.

Economic Factors and Next Year's Budgets and Rates

- 📖 The assumption used in the Fiscal Year 2015-16 Budget was that the property valuation growth would increase by 4.0%.
- 📖 The District will not receive funds from the Public Library Fund grant from the State Library of California.
- 📖 The District will increase 7% in travel expenditures for Board of Trustees and staff.
- 📖 The cost of health benefits for employees may increase by 6.8%.
- 📖 The District may increase 4% in book expenditures budget.
- 📖 The District may increase 2.5% in salaries due to cost of living adjustment.
- 📖 The District may fill two management positions.
- 📖 The District may fill one full-time Library Assistant position.
- 📖 The District may eliminate two part-time clerk positions.

All of these factors were considered in preparing the District's budget for Fiscal Year 2015-16.

During the current year, fund balance in the general fund increased to \$3,248,176. The District has carried over the unassigned component of \$2,788,566 of this amount for paying the District's expenses between July 1, 2015 and the end of November 2015, when the first property tax allocation is received from the Orange County Treasurer.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2015 (Unaudited)

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Library Director's Office, Placentia Library District of Orange County, 411 East Chapman Avenue, Placentia, CA 92870-6198.

BASIC FINANCIAL STATEMENTS

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

STATEMENT OF NET POSITION

June 30, 2015

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 3,290,425
Taxes receivable	32,866
Interest receivable	915
Capital assets, non-depreciable	81,498
Capital assets, net of accumulated depreciation	<u>992,858</u>
TOTAL ASSETS	<u>4,398,562</u>
LIABILITIES:	
Accounts payable	21,206
Accrued salaries	54,824
Noncurrent liabilities:	
Due within one year	20,995
Due in more than one year	<u>27,066</u>
TOTAL LIABILITIES	<u>124,091</u>
NET POSITION:	
Net investment in capital assets	1,074,356
Restricted	459,610
Unrestricted	<u>2,740,505</u>
TOTAL NET POSITION	<u><u>\$ 4,274,471</u></u>

See accompanying notes to basic financial statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

STATEMENT OF ACTIVITIES

For the year ended June 30, 2015

	Program Revenues			Net Expenses and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General government	\$ 2,312,881	\$ 242,244	\$ 138,458	\$ (1,932,179)
Total Governmental Activities	<u>\$ 2,312,881</u>	<u>\$ 242,244</u>	<u>\$ 138,458</u>	<u>(1,932,179)</u>

General Revenue:

Property tax	2,100,845
Unrestricted investment income	<u>9,785</u>
Total general revenue	<u>2,110,630</u>
Change in net position	178,451
Net Position - Beginning of Year	<u>4,096,020</u>
Net Position - End of Year	<u>\$ 4,274,471</u>

See accompanying notes to basic financial statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2015

	General Fund
ASSETS	
Cash and investments	\$ 3,290,425
Taxes receivable	32,866
Interest receivable	915
	<hr/>
TOTAL ASSETS	\$ 3,324,206
	<hr/> <hr/>
LIABILITES AND FUND BALANCE	
LIABILITIES:	
Accounts payable	\$ 21,206
Accrued salaries	54,824
	<hr/>
TOTAL LIABILITES	76,030
	<hr/>
FUND BALANCE:	
Restricted	459,610
Unassigned	2,788,566
	<hr/>
TOTAL FUND BALANCE	3,248,176
	<hr/>
TOTAL LIABILITEIS AND FUND BALANCE	\$ 3,324,206
	<hr/> <hr/>

See accompanying notes to basic financial statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
RECONCILIATION OF THE GENERAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 20, 2015

Fund balance of the governmental fund	\$ 3,248,176
Amounts reported for government activities in the Statement of Net Position are different because:	
Capital assets used in government activities are not financial resources and, therefore, are not reported in the fund financial statements	1,074,356
Compensated absences are not due and payable in the current period and, therefore are not reported in the fund financial statements	<u>(48,061)</u>
Net Position of the Governmental Activities	<u>\$ 4,274,471</u>

See accompanying notes to basic financial statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND

For the year ended June 30, 2015

REVENUES:	
Property taxes	\$ 2,100,845
Grants and other contributions	85,474
Library income	242,244
Impact fees	52,984
Interest income	9,785
	<hr/>
TOTAL REVENUES	2,491,332
	<hr/>
EXPENDITURES:	
General Government:	
Salaries and employee benefits	1,372,932
Office and administration	203,208
Books and library materials	224,173
Professional services	205,508
Maintenance	122,039
Library program	80,086
Miscellaneous	17,548
Capital outlay	114,292
	<hr/>
TOTAL EXPENDITURES	2,339,786
	<hr/>
NET CHANGE IN FUND BALANCE	151,546
FUND BALANCE - BEGINNING OF YEAR	3,096,630
	<hr/>
FUND BALANCE - END OF YEAR	\$ 3,248,176
	<hr/> <hr/>

See accompanying notes to basic financial statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF THE GENERAL FUND
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2015

Net Change in Fund Balance of the Governmental Fund \$ 151,546

Amounts reported for governmental activities in the Statement of Activities differ from the amounts reported in the Statement of Revenues, Expenditures and Changes in Fund Balance because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the excess of capital assets purchases over depreciation expense.

Capital outlay	\$ 91,785	
Depreciation expenses	<u>(61,032)</u>	30,753

The net change in compensated absences reported in the Statement of Activities that do not require the use of current financial resources are not reported on the fund financial statements, but are reported as an expense in the government-wide statements

(3,848)

Change in Net Position of Governmental Activities

\$ 178,451

See accompanying notes to basic financial statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2015

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Organization:

The District was incorporated in 1919 under the provisions of the California Education Code. The District is governed by a Board of Trustees, which consists of five members who are elected at large.

The County of Orange (County) performs all accounting functions and acts as a fiduciary agent.

b. Significant Accounting Policies:

A summary of the District's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting and Measurement Focus:

The *basic financial statements* of the District are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Accordingly, all of the District's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the District are to be reported in three categories, if applicable: 1) charges for services, 2) operating grants and contributions, and, 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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

b. Significant Accounting Policies (Continued):

Basis of Accounting and Measurement Focus (Continued):

Governmental Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. The District has presented its General Fund, as its major fund, in this statement to meet the qualifications of Governmental Accounting Standards Board (GASB) Statement No. 34.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are interest earnings, investment revenue and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The District reports the following major governmental fund:

General Fund - is a government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund when necessary. The District does not report any other funds.

New Accounting Pronouncements

GASB Current Year Standards

GASB Statement No. 68 - "*Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*", was implemented in the current fiscal year.

GASB Statement No. 69 - "*Government Combinations and Disposals of Government Operations*", was required to be implemented in the current fiscal year and did not impact the District.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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

b. Significant Accounting Policies (Continued):

New Accounting Pronouncements (Continued):

GASB Current Year Standards (Continued)

GASB Statement No 71 - "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*", was required to be implemented in the current fiscal year and did not impact the District.

GASB Pending Accounting Standard

GASB has issued the following statements which may impact the District's financial reporting requirements in the future.

- GASB 72 - "*Fair Value Measurement and Application*", effective for periods beginning after June 15, 2015.
- GASB 73 - "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.
- GASB 74 - "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*", effective for periods beginning after June 15, 2016.
- GASB 75 - "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", effective for periods beginning after June 15, 2017.
- GASB 76 - "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", effective for periods beginning after June 15, 2015.
- GASB 77 - "*Tax Abatement Disclosure*", effective for periods beginning after December 15, 2015.
- GASB 78 - "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*", effective for periods beginning after December 15, 2015.
- GASB 79 - "*Certain External Investment Pools and Pool Participants*", effective for periods beginning after June 15, 2015 - except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015.
- GASB 80 - "*Blending Requirements for Certain Component Units*", effective for periods beginning after June 15, 2016.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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

b. Significant Accounting Policies (Continued):

Net Position:

In the government-wide financial statements, net position is classified in the following categories:

- Net Investment in Capital Assets: This category groups all capital assets into one component of net position. Accumulated depreciation on these assets and the outstanding principal of related debt reduce this category.
- Restricted Net Position: This category consists of restricted assets reduced by liabilities related to those assets. At June 30, 2015, the District has \$459,610 classified as restricted net position relating to unspent impact fees collected.
- Unrestricted Net Position: This category represents the net position of the District that is not externally restricted for any project or other purpose.

Fund Balance:

The General Fund reports fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. As of June 30, 2015, fund balance for the general fund is made up of the following:

- Nonspendable Fund Balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable. There was no nonspendable fund balance at June 30, 2015.
- Restricted Fund Balance - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers. At June 30, 2015, the District has \$459,610 classified as restricted fund balance relating to unspent impact fees collected.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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

b. Significant Accounting Policies (Continued):

Fund Balance (Continued):

- Committed Fund Balance - includes amounts that can only be used for the specific purposes determined by a formal action of the District's highest level of decision-making authority, the Board of Trustees. Commitments may be changed or lifted only by the District taking the same formal action that imposed the constraint originally. There was no committed fund balance at June 30, 2015.
- Assigned Fund Balance - comprises amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by the Board of Trustees to which the Board of Trustees has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned Fund Balance - is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting - under which purchase orders, contracts, or other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the general fund. Encumbrances outstanding at year-end are reported as restricted, committed, or assigned fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. The District had no encumbrances outstanding at year-end.

Revenues and Expenses:

Operating revenues, such as charges for services result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values.

Nonoperating revenues, such as property taxes and assessments, result from nonexchange transactions or ancillary activities in which the District gives (receives) value without directly receiving (giving) equal value in exchange.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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

b. Significant Accounting Policies (Continued):

Revenues and Expenses (Continued):

Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District does not have any applicable deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District does not have any applicable deferred inflows of resources.

Investments:

Investments are stated at fair value, which is based on quoted market prices. All investments are controlled by an investment policy that is adopted annually by the Board of Trustees within the provisions of the California Government Code.

Property Taxes:

Property taxes in California are levied in accordance with Article XIII A of the State Constitution at 1% of countywide assessed valuations. This levy is allocated pursuant to state law to the appropriate units of local government. Additional levies require two-thirds approval by the voters and are allocated directly to the specific government. Taxes and assessments are recognized as revenue based on amounts reported to the District by the County of Orange (County). The County acts as a collection agent for the property taxes which are normally collected twice a year. The District elected to participate in the County's Teeter Plan whereby the District receives 100% of the tax levy for a fiscal year, net of administrative fees.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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

b. Significant Accounting Policies (Continued):

Property Taxes (Continued):

The property tax calendar is as follows:

Lien Date:	January 1
Levy Date:	July 1
Due Dates:	First Installment - November 1 Second Installment - February 1
Delinquent Dates:	First Installment - December 10 Second Installment - April 10

Capital Assets:

Capital assets, which include, land, buildings and improvements, equipment, and furniture, are reported in the government-wide financial statements. Capital assets are defined by the District as individual assets with an initial, individual cost of more than \$5,000. All purchased capital assets are valued at cost where historical cost records are available and at an estimate historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received. Capital assets acquired with capital leases are capitalized in accordance with accounting principles generally accepted in the United States of America.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Using the convention of no depreciation expense in the year of acquisition, depreciation is recorded in the government-wide financial statements on a straight-line basis over the useful life of the assets as follows: equipment and furniture - 5 to 10 years, and building and improvements - 50 years. Capital assets acquired with capital leases are depreciated on a straight-line basis over the shorter of the estimated useful life or lease term.

Compensated Absences:

Compensated absences include accrued vacation and sick leave that are available to employees in future years either in time off or in cash (upon leaving the employment of the District). All compensated absences are accrued when incurred in the government-wide financial statements. A liability for compensated absences is reported in the governmental fund only if they have matured, for example as a result of employee resignations or retirements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

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

b. Significant Accounting Policies (Continued):

Compensated Absences (Continued):

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the District. Sick leave accrues to full-time, permanent employees to specific maximums. Generally, after one year of service, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination.

Estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments consist of the following at June 30, 2015:

Checking Account	\$	28,560
Savings Account		1,048,449
Bank Accounts - payroll		<u>163,457</u>
Subtotal Deposits		1,240,466
Cash held by County of Orange Treasurer		<u>2,049,959</u>
Total Cash and Investments	\$	<u>3,290,425</u>

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

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

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

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

N/A - Not Applicable

Disclosures Relating to Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Additional information regarding the average month end maturity of the investments contained in the Orange County Investment Pool (OCIP) is presented in the notes to the County's basic financial statements in the County's Comprehensive Annual Financial Report (CAFR).

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

Disclosures Relating to Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. On August 11, 2015, Standard and Poor's Rating Services reaffirmed its AAAM Principal Stability Fund Rating for the OCIP. The OCIP is not registered with the Securities and Exchange Commission.

Concentration of Credit Risk:

The investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total investments.

In order to maximize investment return, the District has contracted with the Orange County Treasurer's Office (Treasurer) to act as its fiscal agent (bank) and pool its available cash with that of the OCIP. The OCIP is used essentially as a demand deposit account by governmental entities that participate in the OCIP. The County Treasurer's Office makes all investment decisions for the OCIP. The Treasurer's Oversight Committee (TOC) has been established to monitor and review the Investment Policy Statement of the Treasurer and ensure that the Treasurer has an audit annually, which includes limited tests of compliance with laws and regulations. The TOC consists of the County Executive Officer, the elected County Auditor-Controller, the County Superintendent of Schools and two public members.

Interest income and realized gains and losses arising from such pooled cash and cash equivalents is apportioned to each participating fund balance on the relationship of the individual fund's average daily cash balances to the aggregate pooled cash and investments. The District's share of pooled cash and investments is based upon the District's pro-rata share of the fair value provided by the OCIP for the entire portfolio (in relation to the amortized cost of that portfolio).

The primary investment objectives of the Treasurer's investment activities in order of priority are: protecting the safety of principal invested, meeting participants' liquidity needs, attaining a money market rate of return and attempting to stabilize at a \$1 net asset value for the Money Market Fund. This external investment pool contains deposits, repurchase agreements and investments. Interest is allocated to individual funds monthly based on the average daily balances on deposit with the Treasurer.

Deposits must be made in state or national banks, or state or federal savings and loan associations located within the State. The County is authorized to use demand accounts and certificates of deposits. The County has not provided or obtained any legally binding guarantees during the period to support the value of participants' shares in the OCIP.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

2. CASH AND INVESTMENTS (CONTINUED):

Concentration of Credit Risk (Continued):

The OCIP values participants' shares using an amortized cost basis. Specifically, the OCIP distributes income to participants based on their relative participation during the period. Income is calculated based on (1) realized investment gains and losses calculated on an amortized cost basis, (2) interest income based on stated rates (both paid and accrued), (3) amortization of discounts and premiums on a straight-line basis, and reduced by (4) investment and administrative expenses. This method differs from the fair value method used to value deposits and investments because the amortized cost method is not designed to distribute to participants all unrealized gains and losses in their fair values. As of June 30, 2015, there was no material difference between OCIP participants' shares valued on an amortized cost basis compared to fair value.

Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units in excess of federal deposit insurance limit by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2015, the District's deposits (bank balances) were insured by Federal Deposit Insurance Corporation or collateralized as required under California Law.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

3. CAPITAL ASSETS:

Capital assets consist of the following at June 30, 2015:

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2015</u>
Capital assets, not being depreciated:				
Land	\$ 81,498	\$ -	\$ -	\$ 81,498
Total capital assets, not being depreciated	<u>81,498</u>	<u>-</u>	<u>-</u>	<u>81,498</u>
Capital assets, being depreciated:				
Building and other improvements	2,368,509	14,543	-	2,383,052
Equipment and furniture	<u>761,148</u>	<u>77,242</u>	<u>-</u>	<u>838,390</u>
Total capital assets, being depreciated	<u>3,129,657</u>	<u>91,785</u>	<u>-</u>	<u>3,221,442</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,474,841)	(41,580)	-	(1,516,421)
Equipment and furniture	<u>(692,711)</u>	<u>(19,452)</u>	<u>-</u>	<u>(712,163)</u>
Total accumulated depreciation	<u>(2,167,552)</u>	<u>(61,032)</u>	<u>-</u>	<u>(2,228,584)</u>
 Total capital assets, being depreciated, net	 <u>962,105</u>	 <u>30,753</u>	 <u>-</u>	 <u>992,858</u>
 Total capital assets, net	 <u>\$ 1,043,603</u>	 <u>\$ 30,753</u>	 <u>\$ -</u>	 <u>\$ 1,074,356</u>

Depreciation expense for the depreciable capital assets was \$61,032 in 2015.

4. LONG-TERM LIABILITIES:

Long-term liabilities consist of the following at June 30, 2015:

	Balance <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2015</u>	Due Within <u>One Year</u>	Due in More Than <u>One Year</u>
Compensated Absences	\$ 44,220	\$ 50,260	\$ (46,419)	\$ 48,061	\$ 20,995	\$ 27,066

Compensated Absences:

Compensated absences are comprised of unpaid vacation leave and sick which are accrued as earned (See Note 1b).

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

5. DEFINED CONTRIBUTION PLAN:

Plan Description:

The District's employees participate in a defined contribution plan administered by Public Agency Retirement Services. All employees with six months of service and who are at least twenty-one years of age are eligible to participate in the plan. The plan was established by Resolution of the Board of Trustees and may be amended by approval of the Board of Trustees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The contributions and any interest earned vest in increasing amounts per year of service: 1 year of service - 20% vested, 2 years of service - 40% vested, 3 years of service - 60% vested, 4 years of service - 80% vested, and 5 years of service - 100% vested.

Effective September 1, 2012, the plan was amended as follows:

- (1) The amended plan stated that an employee shall participate in the plan under Tier I or Tier II if an employee meets the following requirements:

Tier I

- Is a full-time or part-time employee on or after July 1, 2008;
- Has completed at least six months of service; and
- Is at least 21 years of age.

Tier II

- Is the Library Director on or after July 1, 2012;
- Has completed at least six months of service; and
- Is at least 21 years of age.

- (2) The District's contribution was amended as follows:

Tier I

It is the intention of the District to contribute 4% of an eligible employee's compensation. The contribution is subject to change at the discretion of the District.

Tier II

It is the intention of the District to contribute 6% of an eligible employee's compensation. The contribution is subject to change at the discretion of the District.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

5. DEFINED CONTRIBUTION PLAN (CONTINUED):

Plan Description (Continued):

(3) The vesting period was amended as follows:

Tier I

A participant eligible in Tier I, shall be 100% vested upon attaining the age of 65 or upon completion of five years of service with the District. If neither the age nor years of service requirement has been met at termination of employment, vesting in shall be based upon the following based on the years of service calculated as of the employee's last day of employment with the District: 1 year of service - 20% vested, 2 years of service - 40% vested, 3 years of service - 60% vested, 4 years of service - 80% vested, and 5 years of service - 100% vested.

Tier II

A participant eligible in Tier II, shall be 100% vested upon attaining the age of 65 or upon completion of five years of service with the District. If neither the age nor years of service requirement has been met at termination of employment, vesting in shall be based upon the following based on the years of service calculated as of the employee's last day of employment with the District: 1 year of service - 20% vested, 2 years of service - 40% vested, 3 years of service - 60% vested, and 4 years of service - 100% vested.

For the year ended June 30, 2015, the District contributed \$41,150 (pension expense), based on covered salaries of \$958,243 for the covered period. There were 40 covered employees during the year. Assets of the plan totaled \$839,248 at June 30, 2015. At June 30, 2015, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2015

6. RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, and natural disasters. The District participates in an insurance pool through the Special District Risk Management Authority (SDRMA). SDRMA is a not-for-profit public agency formed under California Government Code Sections 6500 et. Seq. SDRMA is governed by a board composed of members from participating agencies. The mission of SDRMA is to provide renewable, efficiently priced risk financing and risk management services through a financially sound pool. The District pays an annual premium for commercial insurance covering general liability, property, automobile, personal liability for Board Members, employment practices, workers' compensation, and various other claims. Accordingly, the District retains no risk of loss. Separate financial statements of SDRMA may be obtained at Special District Risk Management Authority, 1112 "I" Street, Suite 300, Sacramento, CA 95814.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

6. RISK MANAGEMENT (CONTINUED):

At June 30, 2015, the District's insurance coverages were as follows:

Property Loss - Buildings and business personal property insured up to \$1,000,000,000 with \$2,000 deductible per occurrence.

General Liability - Insured up to \$5,000,000 per occurrence and a \$500 deductible per occurrence.

Employee Benefits - Insured up to \$5,000,000 per occurrence with no deductible.

Employee Dishonesty - Insured up to \$400,000 per occurrence with no deductible.

Auto - Insured up to \$5,000,000 per occurrence with \$1,000 deductible per occurrence.

Personal Liability Coverage for Board Member - Limit is \$500,000 per occurrence and \$500,000 per general aggregate.

Uninsured/Underinsured Motorists - Insured up to \$750,000 per accident with \$1,000 deductible per occurrence.

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

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

Workers' Compensation - Insured up to the statutory limits.

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

7. RELATIONSHIP TO PLACENTIA CIVIC CENTER AUTHORITY:

The Placentia Civic Center Authority (Authority), through a joint powers agreement between the City of Placentia (City) and the District, was formed in May 1972 for the purpose of selling bond to construct and furnish a civic center complex, consisting of a city hall, a police facility, and library. The Authority was the owner of the facility and leased the facility back to the City and the District until the related bonds were fully paid in 2006. After full payment of the bonds, ownership of the civic center complex reverted to the City and the District.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

June 30, 2015

7. RELATIONSHIP TO PLACENTIA CIVIC CENTER AUTHORITY (CONTINUED):

Costs of the civic center complex are prorated for financial purposes to the District based on the following percentages:

50% - Landscape and outside maintenance

35% - Utilities

During fiscal year 2015, the District paid \$19,282 and \$98,119 for landscape and outside maintenance and utilities, respectfully.

Financial statements of the Placentia Civic Center Authority is included in the City's financial statements and may be obtained from the City of Placentia, Finance Manager, at Placentia City Hall 401 E. Chapman Avenue, Placentia, CA 92870.

8. COMMITMENTS AND CONTINGENCIES:

Litigation:

There are potential lawsuits in which the District may be involved. The District's management and legal counsel estimate that potential claims against the District, not covered by insurance, resulting from such litigation would not materially affect the operations or financial condition of the District.

9. SUBSEQUENT EVENTS:

Events occurring after June 30, 2015 have been evaluated for possible adjustments to the financial statements or disclosure as of April 11, 2016, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the year ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
REVENUES:				
Property Taxes	\$ 1,998,602	\$ 2,103,283	\$ 2,100,845	\$ (2,438)
Grants and other Contributions	-	35,000	85,474	50,474
Library income	175,500	293,139	242,244	(50,895)
Impact fees	-	-	52,984	52,984
Interest income	-	5,500	9,785	4,285
TOTAL REVENUES	2,174,102	2,436,922	2,491,332	54,410
EXPENDITURES:				
General Government:				
Salaries and employee benefits	1,464,002	1,472,420	1,372,932	99,488
Office and administration	173,600	204,000	203,208	792
Books and library materials	171,200	255,602	224,173	31,429
Professional services	163,500	191,100	205,508	(14,408)
Maintenance	78,100	146,300	122,039	24,261
Library program	3,000	35,000	80,086	(45,086)
Miscellaneous	10,700	12,000	17,548	(5,548)
Capital outlay	110,000	120,000	114,292	5,708
TOTAL EXPENDITURES	2,174,102	2,436,422	2,339,786	96,636
NET CHANGE IN FUND BALANCE	-	500	151,546	151,046
FUND BALANCE - BEGINNING OF YEAR	3,096,630	3,096,630	3,096,630	-
FUND BALANCE - END OF YEAR	\$ 3,096,630	\$ 3,097,130	\$ 3,248,176	\$ 151,046

See accompanying note to required supplementary information.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015

1. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

General Budget Policies:

The Executive Director of the District submits a proposed budget to the Board of Trustees every two years. The Board of Trustees and the County of Orange approve the budget. The bi-annual budget is adopted by Resolution of the Board of Trustees. Revisions or transfers that alter the total appropriations must be approved by the Board of Trustees. Supplemental appropriations may be adopted by the Board of Trustees during the year.

A budget is adopted bi-annually on a basis consistent with accounting principles generally accepted in the United States of America and is used as a management control device. The District maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is at the fund level.

Continuing Appropriations:

Unexpended annual appropriations lapse at the end of the fiscal year; encumbered appropriations are re-budgeted in the next year.