

April 7, 2015

Orange County Auditor-Controller

PO Box 567

Santa Ana, CA 92702-0567

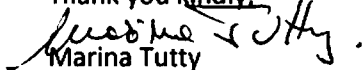
Attention: Auditor-Controller Internal Audit Unit

Subject: Audited Financial statements for the fiscal year ended June 30, 2014

Enclosed are copies of the 2013-14 Audited Financial Statements for Buena Park Library District.

If you should have any questions, please contact me at (714) 826-4100 ext. 130 or
businessofficer@buenapark.lib.ca.us.

Thank you kindly,


Marina Tutty

Business Officer

AUDITOR-CONTROLLER
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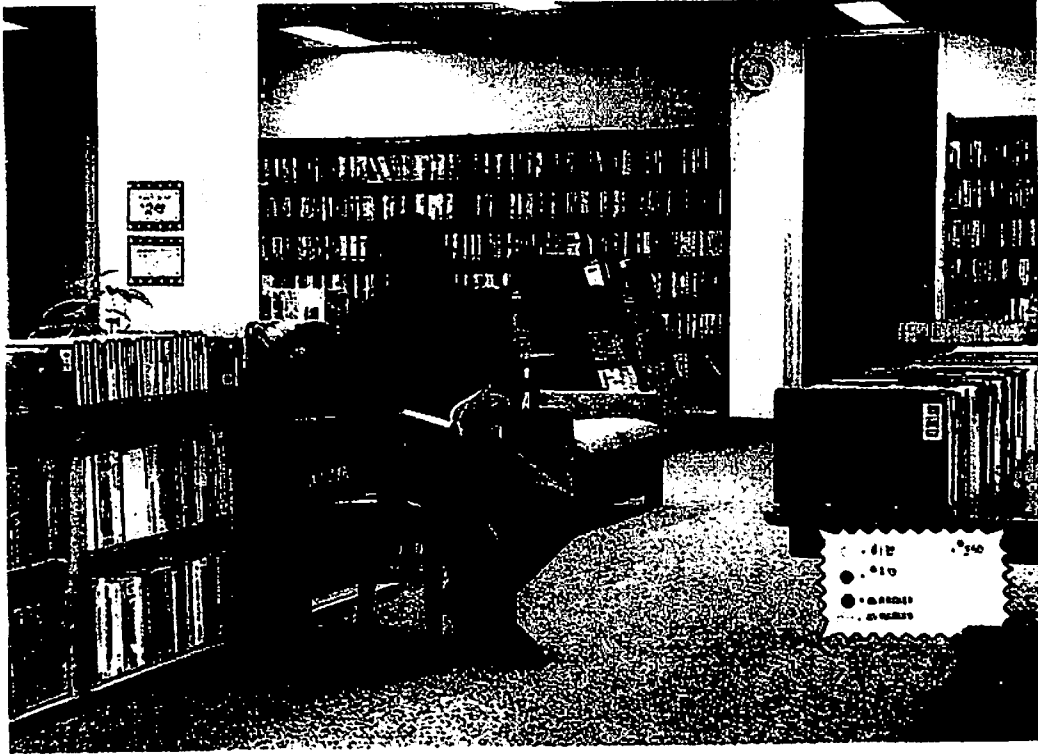


Buena Park Library District

Financial Statements

For the Fiscal Year Ended June 30, 2014





**Buena Park Library District
Board of Trustees as of June 30, 2014**

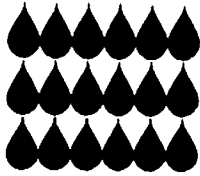
<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Patricia Ganer	President	Elected	12/12 - 12/16
Donna Miller	President Pro-Tem	Elected	12/12 - 12/16
Dennis Salts	Trustee	Elected	12/12 - 12/16
Mary Fuhrman	Secretary	Elected	12/10 - 12/14
Al Salehi	Trustee	Elected	12/10 - 12/14

**Mary McCasland, Library Director
Buena Park Library District
7150 La Palma Avenue
Buena Park, California 90620
(714) 826-4100 www.buenapark.lib.ca.us**

**Buena Park Library District
Financial Statements
For the Fiscal Year Ended June 30, 2014**

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Charles Z. Fedak, CPA, MBA
Paul J. Kaymark, CPA
Christopher J. Brown, CPA

Charles Z. Fedak & Company

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An Accountancy Corporation

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Independent Auditor's Report

Board of Library Trustees
Buena Park Library District
Buena Park, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Buena Park Library District (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. The comparative financial information as of June 30, 2013, was audited by other auditors whose report dated November 15, 2013, expressed an unqualified opinion on those basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Buena Park Library District as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparison for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and the required supplementary information on pages 24 and 25 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2014, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. That report can be found on pages 26 and 27.

Ch Z Fedak: Company as An Accountancy Corporation

Charles Z. Fedak & Company, CPAs – An Accountancy Corporation
Cypress, California
October 15, 2014

Buena Park Library District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

As management of the Buena Park Library District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities and performance of the District for the fiscal year ended June 30, 2014. Please read it in conjunction with additional information that we have furnished in the accompanying basic financial statements, which follow this section.

Financial Highlights

- The District's net position increased 16.0% or \$836,935 from \$5,247,109 to \$6,084,044, in 2014, due primarily to current year operations.
- Total revenues from all sources decreased by 22.6% or \$786,570 from the prior year primarily due to the decrease in Redevelopment Agencies Dissolution revenue of \$874,871.
- Total expenses increased 0.2% or \$3,882 from the prior year primarily due to a combination of a decrease in salaries and benefits expense of \$43,273, an increase in materials and supplies of \$42,953, and an increase in facilities of \$1,447.

Using This Financial Report

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

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

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

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

Buena Park Library District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Governmental Funds Financial Statements

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

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 11 through 23.

Condensed Statements of Net Position

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Assets:			
Current assets	\$ 5,260,255	4,610,984	649,271
Non-current assets	160,322	-	160,322
Capital assets, net	<u>917,878</u>	<u>758,670</u>	<u>159,208</u>
Total assets	<u><u>6,338,455</u></u>	<u><u>5,369,654</u></u>	<u><u>968,801</u></u>
Liabilities:			
Current liabilities	<u>254,411</u>	<u>122,545</u>	<u>131,866</u>
Total liabilities	<u><u>254,411</u></u>	<u><u>122,545</u></u>	<u><u>131,866</u></u>
Net position:			
Net investment in capital assets	917,878	758,670	159,208
Unrestricted	<u>5,166,166</u>	<u>4,488,439</u>	<u>677,727</u>
Total net position	<u><u>\$ 6,084,044</u></u>	<u><u>5,247,109</u></u>	<u><u>836,935</u></u>

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 of the District exceeded liabilities by \$6,084,044 as of June 30, 2014.

A portion of the District's net position (15%) reflects its investment in capital assets (net of accumulated depreciation); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to operate the library; consequently, these assets are *not* available for future spending.

At the end of fiscal year 2014, the District shows a positive balance in its unrestricted net position of \$5,166,166 that may be utilized in future years.

Buena Park Library District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Condensed Statements of Activities

<i>Governmental Activities:</i>	<u>2014</u>	<u>2013</u>	<u>Change</u>
Expenses:			
Library operations	\$ 1,863,326	1,859,444	3,882
Program revenues	410,995	344,245	66,750
General revenues	<u>2,289,266</u>	<u>3,142,586</u>	<u>(853,320)</u>
Total revenues	<u>2,700,261</u>	<u>3,486,831</u>	<u>(786,570)</u>
Change in net position	836,935	1,627,387	(790,452)
Net position – beginning of period	<u>5,247,109</u>	<u>3,619,722</u>	<u>1,627,387</u>
Net position – end of period	<u>\$ 6,084,044</u>	<u>5,247,109</u>	<u>836,935</u>

The statement of activities shows how the government's net position changes during the fiscal year. In the case of the District, net position increased by \$836,935 during the fiscal year ended June 30, 2014.

Governmental Funds Financial Analysis

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned 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, 2014, the District's General Fund reported a fund balance of \$5,041,301. An amount of \$4,959,029 constitutes the District's *unassigned fund balance*, which is available for spending or designation at the District's discretion.

General Fund Budgetary Highlights

The actual expenditures at year end were \$108,119 less than budgeted. The variance is primarily due to the net effect of actual salary and benefits of \$209,681 less than budget; supplies are \$93,049 less than budget, facilities are \$28,539 less than budget and capital outlay being \$223,150 more than budget. Actual revenues were greater than the anticipated budget by \$389,861, primarily due to greater than budgeted charges for services and property tax revenue. The General Fund budget to actual comparison schedule can be found on page 24.

Buena Park Library District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Capital Asset Administration

At the end of fiscal year 2014, the District's investment in capital assets amounted to \$917,878 (net of accumulated depreciation). This investment in capital assets includes land, building, building improvements, equipment and furniture. See Note 3 for further information.

Changes in capital assets for the year were as follows:

	<u>Balance 2013</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2014</u>
Capital assets:				
Non-depreciable assets	\$ 186,335	-	-	186,335
Depreciable assets	2,554,533	278,150	(8,410)	2,824,273
Accumulated depreciation	(1,982,198)	(118,942)	8,410	(2,092,730)
Total depreciable assets, net	<u>572,335</u>	<u>(474,206)</u>	<u>-</u>	<u>731,543</u>
Total capital assets, net	<u>\$ 758,670</u>			<u>917,878</u>

Conditions Affecting Current Financial Position

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

Requests for Information

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, Mary McCasland at the Buena Park Library District, 7150 La Palma Ave Buena Park, California or by telephone at (714) 826-4100.

Basic Financial Statements

Buena Park Library District
Statements of Net Position
June 30, 2014
With comparative amounts for June 30, 2013

	2014	2013
Assets:		
Cash and cash equivalents (note 2)	\$ 5,182,373	4,544,995
Accrued interest receivable	946	646
Property taxes receivable	30,121	32,644
Prepaid expenses and deposits	46,815	32,699
Other post-employment benefits asset (note 5)	160,322	-
Capital assets, net (note 3)	917,878	758,670
Total assets	6,338,455	5,369,654
Liabilities:		
Accounts payable and accrued expenses	218,954	67,901
Compensated absences (note 4)	35,457	34,250
Other post-employment benefits payable (note 5)	-	20,394
Total liabilities	254,411	122,545
Net position:		
Net investment in capital assets	917,878	758,670
Unrestricted (note 6)	5,166,166	4,488,439
Total net position	\$ 6,084,044	5,247,109

See accompanying notes to the basic financial statements

Buena Park Library District
Statements of Activities
For the Fiscal Year Ended June 30, 2014
With comparative amounts for the fiscal year ended June 30, 2013

<i>Governmental Activities:</i>	<u>2014</u>	<u>2013</u>
Expenses:		
Library operations		
Salaries and benefits	\$ 1,206,510	1,249,783
Materials and services	468,413	425,460
Facilities	69,461	68,014
Depreciation	118,942	116,187
Total expenses	<u>1,863,326</u>	<u>1,859,444</u>
Program revenues:		
Charges for services	375,188	309,141
Operating grants and contributions	35,807	35,104
Total program revenues	<u>410,995</u>	<u>344,245</u>
Net program expense	<u>1,452,331</u>	<u>1,515,199</u>
General revenues:		
Property taxes	2,257,384	3,132,255
Interest earnings	10,397	6,972
Other	21,485	3,359
Total general revenues	<u>2,289,266</u>	<u>3,142,586</u>
Change in net position	836,935	1,627,387
Net position – beginning of period	<u>5,247,109</u>	<u>3,619,722</u>
Net position – end of period	<u>\$ 6,084,044</u>	<u>5,247,109</u>

See accompanying notes to the basic financial statements

Buena Park Library District
Reconciliation of the Balance Sheet of Governmental
Type Funds to the Statement of Net Position
June 30, 2014

	General Fund	Reclassifications & Eliminations	Statement of Net Position
Assets:			
Cash and cash equivalents	\$ 5,182,373	-	5,182,373
Accrued interest receivable	946	-	946
Property taxes receivable	30,121	-	30,121
Prepaid expenses and deposits	46,815	-	46,815
Other post-employment benefits asset	-	160,322	160,322
Capital assets, net	-	278,150	278,150
Total assets	5,260,255	438,472	5,698,727
Liabilities:			
Accounts payable and accrued expenses	218,954	-	218,954
Compensated absences	-	35,457	35,457
Total liabilities	218,954	35,457	254,411
Fund balance: (note 7)			
Nonspendable	46,815	(46,815)	-
Committed	35,457	(35,457)	-
Unassigned	4,959,029	(4,959,029)	-
Total fund balance	5,041,301	(5,041,301)	-
Total liabilities and fund balance	\$ 5,260,255		
Net position:			
Net investment in capital assets		\$ 917,878	917,878
Unrestricted		5,166,166	5,166,166
Total net position		\$ 6,084,044	6,084,044
Reconciliation:			
Fund balance of governmental funds			\$ 5,041,301
Amounts reported for governmental activities in the statement of net position is different because:			
Non-current assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.			917,878
Capital assets, net			160,322
Other post employment benefits asset			
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.			
Compensated absences			(35,457)
Net position of governmental activities			\$ 6,084,044

See accompanying notes to the basic financial statements

Buena Park Library District
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Type Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014

	General Fund	Reclassifications & Eliminations	Statement of Activities
Expenditures/Expenses:			
Library operations			
Salaries and benefits	\$ 1,386,019	(179,509)	1,206,510
Materials and services	468,413	-	468,413
Facilities	69,461	-	69,461
Capital outlay	278,150	(278,150)	-
Depreciation	-	118,942	118,942
Total expenditures/expenses	2,202,043	(338,717)	1,863,326
Program revenues:			
Charges for services	375,188	-	375,188
Operating grants and contributions	35,807	-	35,807
Total program revenues	410,995	-	410,995
Net program expense			1,452,331
General revenues:			
Property taxes	2,257,384	-	2,257,384
Interest earnings	10,397	-	10,397
Other	21,485	-	21,485
Total general revenues	2,289,266	-	2,289,266
Total revenues	2,700,261	-	
Net change in fund balance	498,218	(498,218)	-
Change in net position	-	(836,935)	836,935
Fund balance/Net position – beginning of period	4,543,083	-	5,247,109
Fund balance/Net position – end of period	\$ 5,041,301	(996,436)	6,084,044

Reconciliation:

Net changes in fund balance of governmental fund		\$ 498,218
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 and therefore are not reported as expenses in governmental funds as follows:		
Net change in compensated absences		(1,207)
Net change in other post-employment benefits asset		180,716
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		159,208
Change in net position of governmental activities		\$ 836,935

See accompanying notes to the basic financial statements

Buena Park Library District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Buena Park Library District (District) was organized in 1919 under the Education Code of California, Section 19600-19734. The District is a public library providing free services to the community and is governed by an elected, independent Board of Trustees. The District makes every effort to maximize services provided to the community as taxpayers of the District. Basic library services are always provided free of charge and costs of selected peripheral programs are held to a minimum. Materials and services are prioritized based on the needs of the Buena Park community. Competently trained library professionals are employed to bring people and the resources of the library together.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 14 and 39 (an amendment of No. 14). The District is the primary governmental unit based on the foundation of a separately elected governing board. 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 Volunteer Guild of the Buena Park Library (Guild) was incorporated on January 22, 2001. The Guild is a California nonprofit public benefit corporation formed to maintain an association of persons committed to the enrichment of the community by raising funds to assist the Buena Park Library in acquiring material and equipment, completing projects or presenting public programs. The Guild operates the District's used book store and solicits donations and grants for the District. Although the Guild is legally separate, it is included as a blended component unit of the District, as it is in substance part of the District's operations.

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of the District are composed 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. 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. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2014

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. 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. Incorporated into these statements is a schedule to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-wide Financial Statements. The District has presented its General Fund, as its major fund, in this statement to meet the qualifications of 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, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. 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 property tax, a voter approved per parcel tax, 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.

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

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.

C. Assets, Liabilities and Net Position

1. 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months to be cash equivalents.

3. Investments and Investment Policy

The District has adopted an investment policy to deposit funds in financial institutions. Investments are to be made in the following areas:

- Orange County Investment Pool
- Checking and savings accounts at local financial institutions

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

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2014

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Assets, Liabilities and Net Position, continued

4. Prepaid Expenses

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

5. 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 Orange Assessor's Office assesses all real and personal property within the County each year. The County of Orange Tax Collector's Office bills and collects the District's share of property taxes. The County of Orange Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

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

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

6. Capital Assets

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

- Building – 50 years
- Building improvements – 20 years
- Equipment – 5 years
- Furniture and fixtures – 7 years

7. Compensated Absences

It is the District's policy to allow vacation pay of between ten (10) and twenty (20) working days per year of employment. Vacation time may be accumulated from year to year. Employees are allowed to accumulate and carry forward a maximum of two hundred (200) hours at the end of each year. Sick leave is granted at a rate of 12 days per calendar year and may be used for sickness, injury or disability. Sick leave may be accumulated beyond the year in which it is earned.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2014

(1) **Reporting Entity and Summary of Significant Accounting Policies, continued**

C. **Assets, Liabilities and Net Position, continued**

8. **Net Position**

The financial statements utilize a net position presentation. Net Position is categorized as follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted Net Position** – This component of net position consists of constraints placed on assets reduced by liabilities used through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of the net amount of assets that are not included in the determination of *restricted* or *net investment in capital assets*.

9. **Fund Balance**

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

- **Nonspendable fund balance** – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.
- **Committed fund balance** – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Administrative Council) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the District's special revenue funds.
- **Unassigned fund balance** – the residual classification for the District's general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2014

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Assets, Liabilities and Net Position, continued

9. Fund Balance, continued

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 taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, consist of the following:

		<u>2014</u>
Petty cash	\$	100
Deposits held with financial institutions		2,264,822
Deposits held with Orange County Investment Pool		<u>2,917,451</u>
Total	\$	<u><u>5,182,373</u></u>

As of June 30, the District's authorized deposits had the following maturities:

		<u>2014</u>
Deposits held with Orange County Investment Pool		<u>464</u>

Authorized Deposits and Investments

Under provisions of the District's investment policy, and in accordance with Section 53601 of the California Government Code, the District may invest in certain types of investments as listed in Note 1(C)(3) to the financial statements.

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 does 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 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. Of the bank balance, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2014

(2) Cash and Cash Equivalents, continued

Cash with Orange County Investment Pool

The Orange County Investment Pool (Pool) is a pooled investment fund program governed by the County of Orange Board of Supervisors, and administered by the County of Orange Treasurer and Tax Collector. Investments in the Pool are highly liquid as deposits and withdrawals can be made at anytime without penalty. The Pool does not impose a maximum investment limit. Information regarding derivative securities or similar products held by the Pool is not available. Also, the Pool's and the District's exposure to credit, market or legal risk is not available.

The County Oranges' bank deposits are either federally insured or collateralized in accordance with the California Government Code. Pool detail is included on the County of Oranges' website at <http://ttc.ocgov.com>.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

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, 2014, the District's investment in the OCIP was rated by Standard & Poor's as AAAM.

(3) Capital Assets

Changes in capital assets for the year were as follows:

	<u>Balance 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2014</u>
Non-depreciable assets:				
Land	\$ 186,335	-	-	186,335
Total non-depreciable assets	<u>186,335</u>	<u>-</u>	<u>-</u>	<u>186,335</u>
Depreciable assets:				
Building	891,592	-	-	891,592
Building improvements	1,338,281	189,479	(8,410)	1,519,350
Equipment	289,855	44,366	-	334,221
Furniture and fixtures	34,805	44,305	-	79,110
Total depreciable assets	<u>2,554,533</u>	<u>278,150</u>	<u>(8,410)</u>	<u>2,824,273</u>
Accumulated depreciation:				
Building	(829,181)	(17,832)	-	(847,013)
Building improvements	(911,420)	(47,609)	8,410	(950,619)
Equipment	(209,547)	(50,126)	-	(259,673)
Furniture and fixtures	(32,050)	(3,375)	-	(35,425)
Total accumulated depreciation	<u>(1,982,198)</u>	<u>(118,942)</u>	<u>8,410</u>	<u>(2,092,730)</u>
Total depreciable assets, net	<u>572,335</u>	<u>159,208</u>	<u>-</u>	<u>731,543</u>
Total capital assets, net	<u>\$ 758,670</u>			<u>917,878</u>

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2014

(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 compensated absences balances were as follows:

Balance 2013	Additions	Deletions	Balance 2014	Due Within One Year
\$ 34,250	16,632	(15,425)	35,457	35,457

(5) Other Post-Employment Benefits Payable

Plan Description – Eligibility

The District pays a portion of the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the District.

Membership in the OPEB plan consisted of the following members as of June 30:

	2014
Active plan members	11
Retirees and beneficiaries receiving benefits	13
Separated plan members entitled to but not yet receiving benefits	-
Total plan membership	24

Plan Description – Benefits

The District offers post employment medical benefits to retired employees who satisfy the eligibility rules. Spouses and surviving spouses are also eligible to receive benefits. Retirees may enroll in any plan available through the District's CalPERS medical. The contribution requirements of Plan members and the District are established and may be amended by the District's Board of Trustees.

Funding Policy

The District is required to contribute the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each fiscal year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed twenty years. The current ARC rate is 25.20% of the annual covered payroll.

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

Annual OPEB Cost and Net OPEB Obligation

For the fiscal year ended June 30, 2014, the District's ARC cost is \$147,058. The District's net OPEB payable asset amounted to \$160,322 for the fiscal year ended June 30, 2014. The District contributed \$98,290 to the irrevocable trust and \$77,897 in age adjusted contributions for current retiree OPEB premiums for the fiscal year ended June 30, 2014.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2014

(5) Other Post-Employment Benefits Payable, continued

The balance at June 30, consists of the following:	2014
Annual OPEB expense:	
Annual required contribution (ARC)	\$ 147,058
Interest on net OPEB obligation	1,428
Interest earnings on irrevocable trust balance	(151,090)
Adjustment to annual required contribution -	(1,925)
Total annual OPEB expense	(4,529)
Contributions (to)from trust:	
Contributions made to irrevocable trust	(98,290)
Retiree benefit payments paid from trust	(77,897)
Total contributions made	(176,187)
Total change in net OPEB payable(asset) obligation	(180,716)
OPEB payable - beginning of year	20,394
OPEB asset - end of year	\$ (160,322)

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2014 and the two preceding fiscal years were as follows:

<i>Three-Year History of Net OPEB Obligation</i>				
Fiscal Year Ended	Annual OPEB Cost	Age Adjusted Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)Payable
2014	\$ (4,529)	(176,187)	3890.20%	\$ (160,322)
2013	178,006	308,440	173.28%	20,394
2012	153,567	380,539	247.80%	150,828

The most recent valuation (dated July 1, 2013) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$1,611,491. Plan assets of \$558,429 was held in an irrevocable trust. The covered payroll (annual payroll of active employees covered by the plan) for the fiscal year ended June 30, 2014 was \$582,420. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 180.4%.

See Page 25 for the Schedule of Funding Status.

Actuarial Methods and Assumptions

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

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2014

(5) Other Post-Employment Benefits Payable, continued

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

Valuation date	July 1, 2013	
Actuarial cost method	Entry age normal cost method	
Amortization method	Level percent of payroll amortization	
Remaining amortization period	11 Years as of the valuation date	
Asset valuation method	20 Year smoothed market	
Actuarial assumptions:		
Discount rate	7.00%	
Health cost trend rate	2014	8.10%
	2015	6.10%
	2016	5.80%
	2017 - 2019	5.90%
	2020 +	6.00%

(6) Unrestricted Net Position

Unrestricted net position are categorized as follows:

Non-spendable net position:	
Prepaid expenses and deposits	\$ 46,815
Other post-employment benefits	<u>160,322</u>
Total non-spendable net position	<u>207,137</u>
Spendable net position are designated as follows:	
Unrestricted	<u>4,959,029</u>
Total unrestricted net position	\$ <u>5,166,166</u>

(7) Fund Balance

Fund balances are presented in the following categories: non-spendable, restricted, committed, assigned, unassigned (See Note 1.C.9 for a description of these categories). A detailed schedule of fund balances and their funding composition at June 30, 2014 is as follows:

<u>Description</u>	<u>Amount</u>
Nonspendable:	
Prepaid expenses and deposits	\$ <u>46,815</u>
Committed:	
Compensated absences	<u>35,457</u>
Unassigned:	
Operations	<u>4,959,029</u>
Total fund balance	\$ <u>5,041,301</u>

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2014

(8) Defined Benefit Pension Plan

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public agencies within the State of California. Benefit provisions and all other requirements are established by state statute and the District. Copies of CalPERS annual financial report may be obtained from their executive Office: 400 P Street, Sacramento, CA, 95814.

Funding Policy and Annual Pension Cost

First-Tier Plan

The contribution rate for plan members in the CalPERS 2.0% at 55 Risk Pool Retirement Plan is 7% of their annual covered salary. The District's employees contribute 7% and the District contributes 8.073% of this contribution rate on behalf of the employees. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The contribution requirements of the plan members are established by State statute, and the employer contribution rate is established and may be amended by CalPERS.

Second -Tier Plan

In December 2013, the District approved a two tier plan for employees who become eligible to participate in the District's CalPERS defined benefit pension plan after that date. New participants in the plan will participate in the CalPERS 2.0% at 60 years-old. The employer contribution rate is 8.049% of payroll.

CalPERS has not provided information on the Second-Tier plan as of June 30, 2014.

California Public Employees Pension Reform Act of 2013

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013.

Key components of the legislation are as follows:

- Establishes PEPRA which will apply to all public employers and public pension plans on and after January 1, 2013 (Except specific exemptions);
- Establishes new retirement tiers/benefits for new public employees;
- Prohibits certain cash payments from being counted as compensation; and
- Increases

Third-Tier – Beginning January 1, 2013

The contribution rate for plan members in the Miscellaneous CalPERS 2.0% at 62 Retirement Plan under PEPRA is 6.25% of their annual covered wages. Unless specifically exempted by law, District employees in this tier contribute 6.25% of their annual covered wages to their account. Also, the District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The employer and member contribution rate is 6.25% for a combined rate of 12.50%, which will be in effect until June 30, 2015.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2014

(8) Defined Benefit Pension Plan, continued

For fiscal years 2014, 2013 and 2012, the District's annual contributions for the CalPERS plan were equal to the District's required and actual contributions for each fiscal year as follows:

Three Years CalPERS Funding Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$ 56,033	100%	-
2013	51,870	100%	-
2014	61,385	100%	-

See Page 25 for the Schedule of Funding Status.

Actuarial Methods and Assumptions

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

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

Valuation date	June 30, 2013
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll
Asset valuation method	Market value
Actuarial assumptions:	
Discount rate	7.50% (net of administrative expenses)
Projected salary increase	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

(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, as a member of the Special District Risk Management Authority (SDRMA), has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources. SDRMA's purpose is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2014, 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, employee benefits and employment practices liability: Total risk financing limits of \$2.5 million, combined single limit at \$2.5 million per occurrence, subject to the following deductibles – \$500/\$1,000 per occurrence for third party general liability property damage – 50% co-insurance of cost expended by SDRMA, in excess of \$10,000 up to \$50,000, per occurrence, for employment related claims. However, 100% of the obligation will be waived if certain criteria are met.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2014

(9) Risk Management, continued

- Uninsured / Underinsured Motorists coverage up to \$750,000 per accident.
- Employee dishonesty coverage up to \$400,000 per loss includes public employee dishonesty, forgery or alteration and theft, disappearance and destruction coverages.
- Property loss is paid at the replacement cost for property on file, if replaced within two 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.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverage, deductible of \$500 per claim.
- Workers compensation insurance up to California statutory limits for all work related injuries/illnesses covered by California Law. Employer's liability per occurrence for workers compensation coverage is \$5 million, subject to the terms, conditions and exclusions as provided in the Memorandum of Coverage.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2014, 2013 and 2012. 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, 2014.

(10) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2014, that has effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 68

In June 2012, the GASB issued Statement No. 68 – *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2014

(10) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 69

In January 2013, the GASB issued Statement No. 69 – *Government Combinations and Disposals of Government Operations*. The objective of this Statement is to provide new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The impact of the implementation of this Statement to District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 71

In November 2013, the GASB issued Statement No. 71 – *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement No. 68. The impact of the implementation of this Statement to District's financial statements has not been assessed at this time.

(11) Contingencies

Grant Awards

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

Litigation

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

(12) Subsequent Events

Events occurring after June 30, 2014 have been evaluated for possible adjustment to the financial statements or disclosure as of October 15, 2014, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

**Buena Park Library District
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2014**

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Expenditures/Expenses:					
Library operations					
Salaries and benefits	\$ 1,595,700	-	1,595,700	1,386,019	209,681
Materials and services	561,462	-	561,462	468,413	93,049
Facilities	98,000	-	98,000	69,461	28,539
Capital outlay	55,000	-	55,000	278,150	(223,150)
Total expenditures/expenses	<u>2,310,162</u>	<u>-</u>	<u>2,310,162</u>	<u>2,202,043</u>	<u>108,119</u>
Program revenues:					
Charges for services	246,000	-	246,000	375,188	129,188
Operating grants and contributions	31,500	-	31,500	35,807	4,307
Total program revenues	<u>277,500</u>	<u>-</u>	<u>277,500</u>	<u>410,995</u>	<u>133,495</u>
General revenues:					
Property Taxes	2,020,600	-	2,020,600	2,257,384	236,784
Interest earnings	8,800	-	8,800	10,397	1,597
Other	3,500	-	3,500	21,485	17,985
Total general revenues	<u>2,032,900</u>	<u>-</u>	<u>2,032,900</u>	<u>2,289,266</u>	<u>256,366</u>
Total revenues	<u>2,310,400</u>	<u>-</u>	<u>2,310,400</u>	<u>2,700,261</u>	<u>389,861</u>
Net change in fund balance	<u>238</u>	<u>-</u>	<u>238</u>	<u>498,218</u>	<u>497,980</u>
Fund balance – beginning of period	4,543,083		4,543,083	4,543,083	
Fund balance – end of period	\$ 4,543,321		4,543,321	5,041,301	

Notes to Required Supplementary Information

(1) Budgets and Budgetary Data

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District's Library Director prepares and submits an operating budget to the Board of Trustees for the General Fund 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.

The District presents a comparison of the annual budget to actual results for the General Fund at the functional expenditure-type major object level for financial reporting purposes. The budgeted expenditure amounts represent the adopted budget.

**Buena Park Library District
Schedule of Funding Status
For the Fiscal Year Ended June 30, 2014**

(1) Defined Benefit Pension Plan

Development of the Actuarial Value of Assets Calculation in a Risk Pool				
The District is part of the CalPERS Miscellaneous 2.0% at 55 yrs. Risk Pool		<u>June 30, 2011</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>
1. Plan's accrued liability	S	6,066,268	6,492,748	6,714,983
2. Plan's side fund		66,034	52,210	36,591
3. Pool's accrued liability		-	4,175,139,166	4,434,848,248
4. Pool's side fund		-	(132,335,224)	(108,339,918)
5. Pool's actuarial value of assets (AVA) including receivables		-	3,686,598,343	N/A
6. Plan's actuarial value of assets (AVA) including receivables [(1+2) / (3+4) x 5]		-	5,968,291	N/A
7. Pool's market value of assets (MVA) including receivables		-	3,120,110,130	N/A
8. Plan's market value of assets (MVA) including receivables [(1+2) / (3+4) x 7]		5,018,035	5,051,195	5,486,041

Funding History

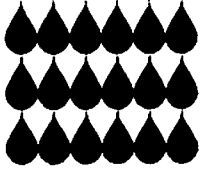
The Funding History below shows the actuarial accrued liability, the actuarial value of assets, the market value of assets, funded ratios and the annual covered payroll. The actuarial value of assets is used to establish funding requirements and the funded ratio on this basis represents the progress toward fully funding future benefits for current plan participants. The funded ratio based on the market value of assets is an indicator of the short-term solvency of the plan in the risk pool.

Actuarial Valuation Date	Accrued Liability (a)	Share of Pool's Market Value of Assets (AVA) (b)	Plan's Share of Pool's Unfunded Liability (a-b)	Funded Ratio (b/a)	Annual Covered Payroll
June 30, 2011	\$ 6,066,268	5,018,035	1,048,233	82.7%	\$ 802,783
June 30, 2012	6,492,748	5,051,195	1,441,553	77.8%	620,920
June 30, 2013	6,714,983	5,486,041	1,228,942	81.7%	672,040

(2) Other Post-Employment Benefits Asset

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2013	S 558,429	1,611,491	1,053,062	34.65%	S 583,743	180.4%
July 1, 2011	-	1,448,625	1,448,625	0.00%	617,896	234.4%

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or annually if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2016 based on the year ending June 30, 2015.



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Independent Auditor's 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 Library Trustees
Buena Park Library District
Buena Park, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Buena Park Library District (District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated October 15, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

**Independent Auditor's 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***

Purpose of this Report

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

 Charles Z. Fedak & Company, CPAs - An Accountancy Corporation

Charles Z. Fedak & Company, CPAs - An Accountancy Corporation
Cypress, California
October 15, 2014

AUDITOR-CONTROLLER

APR 10 2015.