

**PLACENTIA LIBRARY DISTRICT OF
ORANGE COUNTY**

Independent Auditor's Report and
Annual Financial Statements

For the Year Ended June 30, 2014

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Independent Auditor's Report and Annual Financial Statements
For the Year Ended June 30, 2014

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Certified Public Accountants.

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Sacramento

Walnut Creek

Oakland

LA/Century City

San Diego

Seattle

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities and the general fund of the Placentia Library District of Orange County (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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 these basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 governmental activities and the general fund of the District, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and general fund – budgetary comparison schedule listed in the 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Macias Gini & O'Connell LLP





Newport Beach, California

April 16, 2015

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Management's Discussion and Analysis
For the Year Ended June 30, 2014
(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, 2014. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements, which can be found on pages 13 to 18 of this report.

Financial Highlights

-  The assets of the District exceeded its liabilities at the close of the most recent year by \$4,096,020 (*net position*). Of this amount, \$2,645,791 (*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 \$173,221. This increase is mainly attributable to savings in salaries, benefits and communication expenses. In addition, the District received \$32,194 in Impact Fees.
-  As of the close of the current year, the District's general fund reported ending fund balance of \$3,096,630, an increase of \$160,132 in comparison with the prior year. Approximately 87 percent of this total amount, \$2,690,004 is available for spending at the government's discretion (*unassigned fund balance*).
-  The District's noncurrent liabilities decreased by \$14,359 during the current year due to the payment on capital lease and 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.

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.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2014
(Unaudited)

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 13 and 14 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.

The fund financial statements can be found on pages 15 to 18 of this report.

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 financial statements can be found on pages 19 to 30 of this report.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2014
(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 \$4,096,020 at June 30, 2014.

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				
	2014-13	2012-13	\$ Change	% Change
Current and other assets	3,170,833	\$3,064,724	\$106,109	3.5%
Capital assets	1,043,603	994,938	48,665	4.9%
Total Assets	<u>4,214,436</u>	<u>4,059,662</u>	<u>154,774</u>	<u>3.8%</u>
Noncurrent liabilities	44,213	58,572	(14,359)	-24.5%
Other liabilities	74,203	78,291	(4,088)	-5.2%
Total Liabilities	<u>118,416</u>	<u>136,863</u>	<u>(18,447)</u>	<u>-13.5%</u>
Net position:				
Net investments in capital assets	1,043,603	981,062	62,541	6.4%
Restricted	406,626	424,432	(17,806)	-4.2%
Unrestricted	2,645,791	2,517,305	128,486	5.1%
Total net position	<u>\$ 4,096,020</u>	<u>\$ 3,922,799</u>	<u>\$ 173,221</u>	<u>4.4%</u>

Unrestricted net position of \$2,645,791 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 \$106,109 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 \$152,160 offset by current year depreciation of \$103,495.
- 📖 Decrease in noncurrent liabilities of \$14,359 from the prior year is primarily due to the payment of capital lease and compensated absences.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2014
(Unaudited)

Placentia Library District of Orange County Statement of Activities Governmental Activities				
	<u>2013-14</u>	<u>2012-13</u>	<u>\$ Change</u>	<u>% Change</u>
Program revenues:				
Charges for services	\$ 202,206	\$ 170,945	\$ 31,261	18.3%
Operating grants and contributions	109,897	56,627	53,270	94.1%
Subtotal	<u>312,103</u>	<u>227,572</u>	<u>84,531</u>	<u>37.1%</u>
General revenues:				
Property tax	1,959,157	2,042,032	(82,875)	-4.1%
Unrestricted investment earnings	7,066	7,043	23	0.3%
Capital contribution	-	100,000	(100,000)	-100.0%
Impact Fees	32,194	-	32,194	100.0%
Subtotal	<u>1,998,417</u>	<u>2,149,075</u>	<u>(150,658)</u>	<u>-7.0%</u>
Total revenues	<u>2,310,520</u>	<u>2,376,647</u>	<u>(66,127)</u>	<u>-2.8%</u>
Expenses:				
General government	2,137,150	1,961,369	175,781	9.0%
Interest	149	1,090	(941)	-86.3%
Total governmental activities	<u>2,137,299</u>	<u>1,962,459</u>	<u>174,840</u>	<u>8.9%</u>
Change in net position	173,221	414,188	(240,967)	-58.2%
Net position - beginning of year	<u>3,922,799</u>	<u>3,508,611</u>	<u>414,188</u>	<u>11.8%</u>
Net position - end of year	<u>\$ 4,096,020</u>	<u>\$ 3,922,799</u>	<u>\$ 173,221</u>	<u>4.4%</u>

The government's net position increased by \$173,221, a smaller increase from the prior year. Key elements of the current year are an increase in general government expenses of the District and revenues had net decrease due the recognition of a grant from the Placentia Library Friends Foundation (PLFF) in the prior year who contributed \$100,000 to the District for the improvement of the meeting room/staff lounge.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2014
(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, 2014, the District's general fund reported ending fund balance of \$3,096,630 an increase of \$160,132 in comparison with the prior year. Approximately 87 percent of this total amount, \$2,690,004 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 122 percent of total fund expenditures, and total fund balance represents 141 percent of that same amount.

The fund balance of the District's general fund increased by \$160,132 during the current year compared to an increase of \$362,127 in the prior year. Key factor for the decrease from the prior year is due to increase in expenditures by \$246,355 as result of the operations on the current year.

Approximately 13 percent of the District's fund balance is subject to external restriction on how they may be used. In the prior year \$210,683 was reported as assigned fund balance in error. The Board of Trustees adopted changes to the fund balance policies that were not properly reflected in the financial statements. The assigned amounts have been reclassified to unassigned fund balance in fiscal year 2014. The remaining balance of \$2,690,004 is considered unassigned and may be used to meet the District's ongoing obligations to citizens and creditors.

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:





- 📖 Books and library materials exceeded budget by \$52,412. Expenditures in this category include materials, program expenses and rental DVD collection. The rental DVD collection expenditure of \$7,412 was purchased through the funds it generates and is not included in the materials budget. In addition, the PLFF donated \$45,000 for the materials budget, not included in the budget.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2014

(Unaudited)

-  Maintenance exceeded budget by \$10,550 due to unanticipated repairs in the HVAC system and electrical repairs/additions. Expenditures in this category include building maintenance and equipment.
-  Library programs exceeded budget by \$26,516 - Expenditures in this category include Adult, Teen, and Children's programs sponsored by the PLFF, not included in the budget.
-  Miscellaneous exceeded budget by \$3,220 due to expenditures in this category not budgeted for special events and refreshments.
-  Capital outlay exceeded budget by \$53,111 due to the addition of the egress door in the Children's Department. Expenditures in this category include structures/improvements and equipment.

Capital Asset and Debt Administration

Capital Assets. The District spent \$152,160 on the acquisition of equipment and furniture and building improvements.










Additional information on the District's capital assets can be found in Note 2 (b) on page 26 of this report.

Long-term obligations. At the end of the current year, the District had total noncurrent liabilities outstanding of \$25,199, which represents the District's obligation to its employees for compensated absences.

The District's total debt decreased by \$14,359 during the current year. The primary change was the payment related to the District's capital lease and compensated absences.

Additional information on the District's long-term obligations can be found in Note 2 (c) on page 26 of this report.

Economic Factors and Next Year's Budgets and Rates

-  The assumption used in the Fiscal Year 2014-15 Budget was that the property valuation growth would increase by 2.0%.
-  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.
-  The District may increase 4% in book expenditures budget.
-  The District may increase 2% in salaries due to cost of living adjustment.
-  The District may increase one Library Clerk from 15 hours to 19 hours a week.
-  The District may add a new Children's Library Assistant for 15 hours a week.
-  The District may increase four Library hours open to the public.

All of these factors were considered in preparing the District's budget for Fiscal Year 2014-15.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2014
(Unaudited)

During the current year, fund balance in the general fund increased to \$3,096,630. The District has carried over the unassigned component of \$2,690,004 of this amount for paying the District's expenses between July 1, 2014 and the end of November 2014, when the first property tax allocation is received from the Orange County Treasurer.

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.

Jeanette Contreras
Library Director
Placentia Library District of Orange County

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BASIC FINANCIAL STATEMENTS

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PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Statement of Net Position

June 30, 2014

Assets:

Cash and investments	\$ 3,134,184
Taxes receivable	33,877
Other receivable	2,772
Capital assets, non-depreciable	81,498
Capital assets, net of accumulated depreciation	<u>962,105</u>
Total assets	<u>4,214,436</u>

Liabilities:

Accounts payable	22,049
Accrued salaries	52,154
Noncurrent liabilities:	
Due within one year:	
Compensated absences	19,014
Due in more than one year:	
Compensated absences	<u>25,199</u>
Total liabilities	<u>118,416</u>

Net position:

Net investment in capital assets	1,043,603
Restricted	406,626
Unrestricted	<u>2,645,791</u>
Total net position	<u>\$ 4,096,020</u>

See Accompanying Notes to the Basic Financial Statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Statement of Activities

For the Year Ended June 30, 2014

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net Expenses and Changes in Net Position</u>
Governmental activities:				
General government	\$ 2,137,150	\$ 202,206	\$ 109,897	\$ (1,825,047)
Interest	149	-	-	(149)
Total governmental activities	<u>\$ 2,137,299</u>	<u>\$ 202,206</u>	<u>\$ 109,897</u>	(1,825,196)

General revenue:

Property tax	1,959,157
Impact fee	32,194
Unrestricted investment income	7,066
Total general revenue	<u>1,998,417</u>
Change in net position	173,221
Net position - beginning of year	<u>3,922,799</u>
Net position - end of year	<u>\$ 4,096,020</u>

See Accompanying Notes to the Basic Financial Statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Balance Sheet

General Fund

June 30, 2014

	<u>General Fund</u>
Assets:	
Cash and investments	\$ 3,134,184
Taxes receivable	33,877
Other receivable	<u>2,772</u>
Total assets	<u><u>\$ 3,170,833</u></u>
Liabilities and fund balance:	
Liabilities:	
Accounts payable	\$ 22,049
Accrued salaries	<u>52,154</u>
Total liabilities	<u>74,203</u>
Fund balance:	
Restricted	406,626
Unassigned	<u>2,690,004</u>
Total fund balance	<u>3,096,630</u>
Total liabilities and fund balance	<u><u>\$ 3,170,833</u></u>

See Accompanying Notes to the Basic Financial Statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Reconciliation of the General Fund Balance Sheet
to the Statement of Net Position
For the Year Ended June 30, 2014

Fund balance of general fund	\$ 3,096,630
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	1,043,603
Compensated absences are not due and payable in the current period and, therefore, are not reported in the fund.	<u>(44,213)</u>
Net position of governmental activities	<u><u>\$ 4,096,020</u></u>

See Accompanying Notes to the Basic Financial Statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Statement of Revenues, Expenditures and
Changes in Fund Balance
General Fund
For the Year Ended June 30, 2014

Revenues:	
Property taxes	\$ 1,959,157
Grants and other contributions	159,897
Library income	202,206
Impact fees	32,194
Interest income	7,066
	<hr/>
Total revenues	2,360,520
Expenditures:	
Current	
General Government:	
Salaries and employee benefits	1,307,657
Office and administration	179,853
Books and library materials	214,412
Professional services	171,979
Maintenance	97,050
Library programs	28,516
Miscellaneous	3,720
Capital outlay	183,111
Debt service:	
Principal lease payments	13,876
Interest	214
	<hr/>
Total expenditures	2,200,388
	<hr/>
Net change in fund balance	160,132
Fund balance - beginning of year	2,936,498
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Fund balance - end of year	\$ 3,096,630
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See Accompanying Notes to the 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, 2014

Net change in fund balance of the governmental fund \$ 160,132

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 deficiency of capital assets purchases over depreciation expense.

	Capital outlay	152,160	
	Depreciation expense	<u>(103,495)</u>	48,665

Certain revenues in the governmental funds are recognized in the current year upon meeting the "availability" criteria for revenue recognition. However, such revenue has already been reported in the governmental activities in the previous year. (50,000)

The repayment of principal of long-term debt consumes the current financial resources of governmental funds. This transaction reduces the long-term liabilities in the statement of activities and has no effect on net assets. 13,876

Accrued interest payable applicable to the District's governmental activities that is not due and payable in the current period and accordingly is not reported as fund liabilities. 65

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. The resources earned fell below the amount expensed. 483

Change in net position of governmental activities \$ 173,221

See Accompanying Notes to the Basic Financial Statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to the Basic Financial Statements

For the Year Ended June 30, 2014

(1) Summary of Significant Accounting Policies

The accounting policies of the Placentia Library District of Orange County (District) conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The following is a summary of the District's significant accounting policies.

(a) Reporting Entity

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) Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues are reported in three categories, if applicable: 1) charges for services; 2) operating grants and contribution; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the District's governmental fund. The major individual governmental fund is reported as a separate column in the fund financial statements.

The District reports only one governmental fund. The *general fund* is the District's operating fund. It accounts for all financial resources of the District.

(c) Measurement Focus, Basis of Accounting and Financial Statement Presentations

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Revenue from grants, entitlements and donations are recognized in the year in which all eligibility requirements have been satisfied.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to the Basic Financial Statements (Continued)

For the Year Ended June 30, 2014

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental fund to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental fund. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, charges for services, grants, and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

(d) Property Tax Revenues

Property taxes are assessed, collected and allocated by the County throughout the year according to the following property tax calendar:

Lien Date	January 1
Levy Date	4 th Monday of September
Due Dates	November 1, 1 st Installment February 1, 2 nd Installment
Delinquent Dates	December 10, 1 st Installment April 10, 2 nd Installment

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 an administrative fee.

(e) Cash and 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.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

(f) 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 estimated 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: furniture, and equipment – 5 to 10 years, and buildings 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.

(g) 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.

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 specified 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.

(h) Classification of Net Position and Fund Balance

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.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

- **Restricted Net Position:** This category consists of restricted assets reduced by liabilities related to those assets. At June 30, 2014, the District has \$406,626 classified as restricted fund balance relating to unspent impact fees collected.
- **Unrestricted Net Position:** This category represents the net position of the District that are not externally restricted for any project or other purpose.

Fund Balances

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, 2014, 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, 2014.
- **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, 2014, the District has \$406,626 classified as restricted fund balance relating to unspent impact fees collected.
- **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, 2014.
- **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.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

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.

(i) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Detailed Notes on All Funds

(a) Cash and Investments

Cash and investments at June 30, 2014, consisted of the following:

Checking account	\$	9,892
Saving account		875,135
Bank accounts - payroll		104,528
Subtotal deposits		989,555
Cash held by County of Orange Treasurer		2,144,629
Total cash and investments	\$	3,134,184

Investments Authorized by the District Investment Policy

The District investment policy authorizes a voluntary investment in the local government investment pool administered by the County and investments authorized under provisions of California Government Code. The District investment policy contains provisions intended to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to the Basic Financial Statements (Continued)

For the Year Ended June 30, 2014

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).

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 September 11, 2014, 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.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

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.

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, 2014, there was no material difference between OCIP participants' shares valued on an amortized cost basis compared to fair value.

The County's bank deposits are either federally insured or collateralized in accordance with the California Government Code. Further OCIP detail is included in the County's CAFR.

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.

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 the Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

(b) Capital Assets

Changes in capital assets during the year ended June 30, 2014, were as follows:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2014</u>
Nondepreciable capital assets:				
Land	\$ 81,498	\$ -	\$ -	\$ 81,498
Construction in progress	49,987	99,188	149,175	-
Subtotal	<u>131,485</u>	<u>99,188</u>	<u>149,175</u>	<u>81,498</u>
Depreciable capital assets:				
Buildings and other improvements	2,203,536	164,973	-	2,368,509
Equipment and furniture	723,974	37,174	-	761,148
Subtotal	<u>2,927,510</u>	<u>202,147</u>	<u>-</u>	<u>3,129,657</u>
Less accumulated depreciation for:				
Buildings and other improvements	(1,394,861)	(79,980)	-	(1,474,841)
Equipment and furniture	(669,196)	(23,515)	-	(692,711)
Subtotal	<u>(2,064,057)</u>	<u>(103,495)</u>	<u>-</u>	<u>(2,167,552)</u>
Net depreciable assets	<u>863,453</u>	<u>98,652</u>	<u>-</u>	<u>962,105</u>
Total net capital assets	<u>\$ 994,938</u>	<u>\$ 197,840</u>	<u>\$ 149,175</u>	<u>\$ 1,043,603</u>

Depreciation expense of \$103,495 is charged to the general government function of the District.

(c) Noncurrent Liabilities

All noncurrent liabilities will be repaid from future general fund resources. The following is a summary of the changes in noncurrent liabilities for the year ended June 30, 2014:

	<u>Balance at July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Equipment capital lease	\$ 13,876	\$ -	\$ 13,876	\$ -	\$ -
Compensated absences	44,696	74,873	75,349	44,220	19,014
	<u>\$ 58,572</u>	<u>\$ 74,873</u>	<u>\$ 89,225</u>	<u>\$ 44,220</u>	<u>\$ 19,014</u>

(d) Equipment Capital Lease

The District entered into a capital lease agreement for a heating, lighting, and air conditioning system. As of June 30, 2014, the related capital lease has been fully paid and fully depreciated.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2014

(3) Other Information

(a) Defined Contribution Plan

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.

- (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

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to the Basic Financial Statements (Continued)

For the Year Ended June 30, 2014

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 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, and 4 years of service – 100% vested.

For the year ended June 30, 2014, the District contributed \$39,267, based on covered salaries of \$930,004 for the covered period. There were 40 covered employees during the year. Assets of the plan totaled \$850,335 at June 30, 2014.

(b) Liability, Property, And Workers' Compensation Protection

Intergovernmental Risk Sharing Joint Powers Agreement

The District is a member of the Special District Risk Management Authority (Authority). The Authority is comprised of California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverage.

Self Insurance Programs of the Authority

General Liability, Auto Liability. Limit is \$5,000,000 per occurrence.

Public Officials and Employee Errors, Employment Practices Liability, Employee Benefits Liability. Limit is \$5,000,000 per occurrence and \$5,000,000 per general aggregate.

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

Employee Dishonesty. Limit is \$400,000 per occurrence.

Auto Liability. Limit is \$5,000,000 per occurrence.

Uninsured/Underinsured Motorists. Limit is \$750,000 each accident.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Notes to the Basic Financial Statements (Continued)

For the Year Ended June 30, 2014

Property Coverage. Limit is \$1,000,000 per occurrence for replacement cost of scheduled property.

Boiler and Machinery. Limit is \$100,000,000 per occurrence for replacement cost for scheduled property.

Statutory Workers' Compensation and Employers' Liability Coverage. Statutory workers compensation limit is the statutory limit for each occurrence, and Employer's Liability Coverage limit is \$5,000,000 per occurrence.

Adequacy of Protection

During the past three (claims) years, none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

(c) 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 bonds to construct and furnish a civic center complex, consisting of a city hall, a police facility, and a 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.

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 2014, the District paid \$18,189 and \$52,356 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.

(d) Commitments and Contingencies

Subsequent to June 30, 2014, the District is expected to incur approximately \$30,803 of capital expenditures.

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REQUIRED SUPPLEMENTARY INFORMATION

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PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive/ (Negative)</u>
Revenues:				
Property taxes	\$ 1,959,414	\$ 1,959,414	\$ 1,959,157	\$ (257)
Grants and other contributions	-	-	159,897	159,897
Library income	133,000	133,000	202,206	69,206
Impact fees	-	-	32,194	32,194
Interest income	-	-	7,066	7,066
Total revenues	<u>2,092,414</u>	<u>2,092,414</u>	<u>2,360,520</u>	<u>268,106</u>
Expenditures:				
Current:				
General Government:				
Salaries and employee benefits	1,389,842	1,359,842	1,307,657	52,185
Office and administration	180,872	190,872	179,853	11,019
Books and library materials	162,000	162,000	214,412	(52,412)
Professional services	170,700	200,700	171,979	28,721
Maintenance	86,500	86,500	97,050	(10,550)
Library programs	2,000	2,000	28,516	(26,516)
Miscellaneous	500	500	3,720	(3,220)
Capital Outlay	140,000	130,000	183,111	(53,111)
Debt service:				
Principal payments	-	-	13,876	(13,876)
Interest payments	-	-	214	(214)
Total expenditures	<u>2,132,414</u>	<u>2,132,414</u>	<u>2,200,388</u>	<u>(67,974)</u>
Net change in fund balance	(40,000)	(40,000)	160,132	200,132
Fund balance - beginning of year	<u>1,973,529</u>	<u>1,973,529</u>	<u>2,936,498</u>	<u>962,969</u>
Fund balance - end of year	<u><u>\$ 1,933,529</u></u>	<u><u>\$ 1,933,529</u></u>	<u><u>\$ 3,096,630</u></u>	<u><u>\$ 1,163,101</u></u>

See Accompanying Note to the Required Supplementary Information.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
Note to the Required Supplementary Information
June 30, 2014

(1) Stewardship, Compliance, And Accountability

(a) General Budget Policies

The Executive Director of the District submits a proposed budget to the Board of Trustees each year. The Board of Trustees and the County of Orange approve the budget. The 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. There were no supplemental appropriations approved during the year.

A budget is adopted 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. For the year ended June 30, 2014, the District's actual expenditures exceeded budget expenditures by \$67,974.

(b) Continuing Appropriations

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