

**PLACENTIA LIBRARY DISTRICT  
OF ORANGE COUNTY**

**FINANCIAL STATEMENTS**

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

**FOR THE YEAR ENDED JUNE 30, 2019**

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2019**  
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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and major fund of the Placentia Library District of Orange County (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matter

### *Report on Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedule, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*White Nelson Dick Evans LLP*

Irvine, California  
January 15, 2020

## PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

### Management's Discussion and Analysis

For the Year Ended June 30, 2019

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, 2019. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements, which can be found on pages 10 to 15 of this report.

#### Financial Highlights

- 📖 The assets of the District exceeded its liabilities at the close of the most recent year by \$5,222,875 (*net position*). Of this amount, \$2,399,356 (*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 \$46,608. This increase is mainly attributable to an increase from Impact fees and Interest income.
- 📖 As of the close of the current year, the District's general fund reported ending fund balance of \$2,598,471 a decrease of \$1,710,632 in comparison with the prior year. Approximately 99 percent of this total amount, \$2,569,379 is available for spending at the government's discretion (*unassigned fund balance*).
- 📖 The District's noncurrent liabilities decreased by \$34,336 during the current year due to the start of repayment for the Ibank loan secured for the financing of the District's facilities.

#### Overview of the Financial Statements

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

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

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

## PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2018 (Unaudited)

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

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

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

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

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

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

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

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

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

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY**

Management’s Discussion and Analysis (Continued)

For the Year Ended June 30, 2018 (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 \$5,222,875 at June 30, 2019.

Approximately 54 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

	2018-19	2017-18	\$ Change	% Change
Current and other assets	\$ 3,293,562	\$ 5,625,987	\$(2,332,425)	-41.46%
Capital assets	3,885,301	949,207	2,936,094	309.32%
Total Assets	<u>7,178,863</u>	<u>6,575,194</u>	<u>603,669</u>	<u>9.18%</u>
Noncurrent liabilities	1,241,327	1,275,663	(34,336)	-2.69%
Other liabilities	714,661	123,264	591,397	479.78%
Total Liabilities	<u>1,955,988</u>	<u>1,398,927</u>	<u>557,061</u>	<u>39.82%</u>
Net position:				
Net investments in capital assets	2,823,519	949,207	1,874,312	197.46%
Restricted	-	628,289	(628,289)	-100.00%
Unrestricted	2,399,356	3,598,771	(1,199,415)	-33.33%
Total net position	<u>\$ 5,222,875</u>	<u>\$ 5,176,267</u>	<u>\$ 46,608</u>	<u>0.90%</u>

*Unrestricted net position* of \$2,399,356 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:

- 📖 Decrease in current and other assets of \$2,332,425 from prior year is mainly due to the result of the full disposal of library property due to the centennial renovation, plus use of money from the County 9XL fund.
- 📖 Increase in capital assets of \$2,936,094 is due to current year building and furniture additions.
- 📖 Increase in other liabilities of \$591,397 from the prior year is primarily due timing of payments for centennial renovations

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY**

Management’s Discussion and Analysis (Continued)

For the Year Ended June 30, 2018 (Unaudited)

📖 Decrease in restricted funds of \$628,289 is due to the use of these funds per restrictions for the use of the Centennial Renovation.

Placentia Library District of Orange County  
Statement of Activities  
Governmental Activities

	2018-19	2017-18	\$ Change	% Change
<b>Program Revenues:</b>				
Charges for services	\$ 280,430	\$ 300,757	\$ (20,327)	-6.76%
Operating grants and contributions	179,616	101,555	78,061	76.87%
<b>Total Program Revenues</b>	<b>460,046</b>	<b>402,312</b>	<b>57,734</b>	<b>14.35%</b>
<b>General Revenues</b>				
Property tax	2,614,136	2,448,320	165,816	6.77%
Unrestricted investment earnings and other	51,260	38,445	12,815	33.33%
<b>Total General Revenues</b>	<b>2,665,396</b>	<b>2,486,765</b>	<b>178,631</b>	<b>7.18%</b>
<b>Total Revenues</b>	<b>3,125,442</b>	<b>2,889,077</b>	<b>236,365</b>	<b>8.18%</b>
<b>Expenses</b>				
General government	3,033,526	2,622,738	410,788	15.66%
Interest	45,308	6,380	38,928	610.16%
<b>Total Expenses</b>	<b>3,078,834</b>	<b>2,629,118</b>	<b>449,716</b>	<b>17.11%</b>
<b>Change in net position</b>	<b>46,608</b>	<b>259,959</b>	<b>(213,351)</b>	<b>-82.07%</b>
Net position - beginning of the year	5,176,267	4,916,308	259,959	5.29%
<b>Net position - end of the year</b>	<b>\$ 5,222,875</b>	<b>\$ 5,176,267</b>	<b>\$ 46,608</b>	<b>0.90%</b>

The government’s net position increased by \$46,608. Key elements of the current year are an increase in property taxes during the year.

**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.



## PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2018 (Unaudited)

As of the year ended June 30, 2019, the District's general fund reported ending fund balance of \$2,598,471 a decrease of \$1,710,632 in comparison with the prior year. Approximately 99 percent of this total amount, \$2,569,471 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 42% of total fund expenditures, and total fund balance represents 43% of that same amount.

The fund balance of the District's general fund decreased by \$1,710,632 during the current year.

### General Fund Budgetary Highlights

- 📖 Library income and Impact fees exceeded budget by \$ 136,930 and \$62,071 due to highly conservative expectation of passport service drop due to renovation, and new efforts with the City to collect Impact fees.
- 📖 Office and Administration and Maintenance exceeded budget by \$ \$80,821 and \$130,514 due to two unforeseen renovation events and facility needs and the District services performed for the preparation of a renovation in FY 18-19.
- 📖 The District do not budget for capital outlay and debt service expenditures.

### Capital Asset and Debt Administration

**Capital Assets.** As of June 30, 2019, the District investments in capital assets totaling \$3,885,301. Total additions during the year were \$3,006,397, which were mostly for the centennial renovations.

**Long-term obligations.** At the end of the current year, the District had total noncurrent liabilities outstanding of \$1,241,327, which consists of District's obligation to its employees for compensated absences and the Ibank loan. For additional information, see Note 4 to the financial statements.

## PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

Management's Discussion and Analysis (Continued)

For the Year Ended June 30, 2018 (Unaudited)

### **Economic Factors and Next Year's Budgets and Rates**

- 📖 The assumption used in the Fiscal Year 2018-19 Budget was that the property valuation growth would increase by 4.0%.
- 📖 The cost of health benefits for employees is estimated to increase by 4%.
- 📖 The District anticipates an decrease in electricity costs due to the installation of solar panels..
- 📖 The District may increase 3% in salaries due to cost of living adjustment.

All of these factors were considered in preparing the District's budget for Fiscal Year 2019-2020.

### **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.

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## **BASIC FINANCIAL STATEMENTS**

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

STATEMENT OF NET POSITION

June 30, 2019

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash and investments	\$ 3,136,475
Taxes receivable	38,817
Interest receivable	15,278
Other receivables	73,900
Other assets	29,092
Capital assets, nondepreciable	1,400,253
Capital assets, net of accumulated depreciation	<u>2,485,048</u>
 TOTAL ASSETS	 <u>7,178,863</u>
<b>LIABILITIES:</b>	
Accounts payable	656,784
Accrued salaries	38,307
Interest payable	19,570
Noncurrent liabilities:	
Due within one year	64,056
Due in more than one year	<u>1,177,271</u>
 TOTAL LIABILITIES	 <u>1,955,988</u>
<b>NET POSITION:</b>	
Net investment in capital assets	2,823,519
Unrestricted	<u>2,399,356</u>
 TOTAL NET POSITION	 <u>\$ 5,222,875</u>

See accompanying notes to basic financial statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

STATEMENT OF ACTIVITIES

For the year ended June 30, 2019

	<u>Program Revenues</u>		Net Expenses and Changes in Net Position
	<u>Expenses</u>	<u>Charges for Services</u>	
Governmental Activities:			
General government	\$ 3,033,526	\$ 280,430	\$ 179,616
Interest on long-term debt	45,308	-	-
	<u>3,078,834</u>	<u>280,430</u>	<u>179,616</u>
Total Governmental Activities	<u>\$ 3,078,834</u>	<u>\$ 280,430</u>	<u>\$ 179,616</u>
			<u>(2,618,788)</u>
General Revenue:			
Property tax			2,614,136
Unrestricted investment income			51,260
			<u>2,665,396</u>
Total general revenue			<u>2,665,396</u>
Change in net position			46,608
Net Position - Beginning of Year			<u>5,176,267</u>
Net Position - End of Year			<u>\$ 5,222,875</u>

See accompanying notes to basic financial statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2019

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 3,136,475
Taxes receivable	38,817
Interest receivable	15,278
Other receivables	73,900
Prepaid expenses	<u>29,092</u>
 TOTAL ASSETS	 <u><u>\$ 3,293,562</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable	\$ 656,784
Accrued salaries	<u>38,307</u>
 TOTAL LIABILITIES	 <u>695,091</u>
FUND BALANCE:	
Nonspendable for:	
Prepays	29,092
Unassigned	<u>2,569,379</u>
 TOTAL FUND BALANCE	 <u>2,598,471</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 3,293,562</u></u>

See accompanying notes to basic financial statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

June 30, 2019

Fund Balance of the Governmental Fund	\$ 2,598,471
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 financial statements	3,885,301
Long-term debt and related items that have not been included in the governmental fund activity:	
Loan payable	(1,168,363)
Accrued interest payable for the current portion of interest due on bonds are not reported in the governmental funds	(19,570)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the fund financial statements	<u>(72,964)</u>
Net Position of the Governmental Activities	<u>\$ 5,222,875</u>

See accompanying notes to basic financial statements.



PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

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

For the year ended June 30, 2019

	<u>General Fund</u>
REVENUES:	
Property taxes	\$ 2,614,136
Grants and other contributions	107,545
Library income	280,430
Impact fees	72,071
Interest income	<u>51,260</u>
 TOTAL REVENUES	 <u>3,125,442</u>
EXPENDITURES:	
General Government:	
Salaries and employee benefits	1,840,328
Office and administration	177,261
Books and library materials	329,479
Professional services	185,668
Maintenance	355,514
Library program	36,485
Miscellaneous	41,187
Capital outlay	3,006,397
Debt Service	
Principal retirement	31,637
Interest and fiscal charges	<u>32,118</u>
 TOTAL EXPENDITURES	 <u>6,036,074</u>
 Excess (Deficiency) of Revenues Over (Under) Expenditures	  (2,910,632)
OTHER FINANCING SOURCES:	
Loan proceeds	<u>1,200,000</u>
 TOTAL OTHER FINANCING SOURCES	 <u>1,200,000</u>
 NET CHANGE IN FUND BALANCE	 (1,710,632)
 FUND BALANCE - BEGINNING OF YEAR	 <u>4,309,103</u>
 FUND BALANCE - END OF YEAR	 <u><u>\$ 2,598,471</u></u>

See accompanying notes to basic financial statements.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

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

For the year ended June 30, 2019

Net Change in Fund Balance of the Governmental Fund \$ (1,710,632)

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 are allocated over their estimated useful lives as depreciation expense. This is the excess of capital asset purchases over depreciation expense.

Capital outlay	\$ 3,006,397	
Depreciation expense	<u>(70,303)</u>	2,936,094

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities and the issuance and the issuance increases long-term liabilities in the Statement of Net Position.

Repayment of loan principal	31,637	
Proceeds from loan	<u>(1,200,000)</u>	(1,168,363)

Accrued interest for long-term liabilities. This is the net change in accrued interest for the current period.

(13,190)

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

2,699

Change in Net Position of Governmental Activities

\$ 46,608

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY**

**Notes to Basic Financial Statements**

**June 30, 2019**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a. Organization

The Placentia Library District of Orange County (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.

b. Significant Accounting Policies

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

**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*

The Government-wide financial statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the Government-wide financial statements. Accordingly, all 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 when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. The statement of activities demonstrates the degree to which the direct expenses of a given function is 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.

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

b. Significant Accounting Policies (Continued)

**Basis of Accounting and Measurement Focus (Continued)**

Governmental Fund Financial Statements

The governmental financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, current assets and liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Under the modified accrual basis of accounting, revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The District uses an availability period of 60 days. Property taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the District. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The District reports the following major governmental fund:

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

**New Accounting Pronouncements**

GASB Current-Year Standards

GASB 83 - *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2018, and did not impact the District.

GASB 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for periods beginning after June 15, 2018, and did not significantly impact the District.

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

b. Significant Accounting Policies (Continued)

**New Accounting Pronouncements (Continued)**

*GASB Pending Accounting Standards*

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

- GASB 84 - *Fiduciary Activities*, effective for periods beginning after December 15, 2018.
- GASB 87 - *Leases*, effective for periods beginning after December 15, 2019.
- GASB 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for periods beginning after December 15, 2019.
- GASB 90 - *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for periods beginning after December 15, 2018.
- GASB 91 - *Conduit Debt Obligations*, effective for periods beginning after December 15, 2020.

**Net Position**

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

- Net Investment in Capital Assets: This category groups all capital assets into one component of net position. Accumulated depreciation on these assets and the outstanding principal of related debt reduce this category.
- Restricted Net Position: This category consists of restricted assets reduced by liabilities related to those assets.
- Unrestricted Net Position: This category represents the net position of the District that is not externally restricted for any project or other purpose.

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

b. Significant Accounting Policies (Continued)

**Fund Balance**

The general fund reports the 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, 2019, the fund balance for the general fund is made up of the following:

- **Nonspendable Fund Balance:** This 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.
- **Restricted Fund Balance:** This 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.
- **Committed Fund Balance:** This 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, 2019.
- **Assigned Fund Balance:** This includes 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 not delegated the authority to assign amounts to be used for specific purposes. There was no assigned fund balance at June 30, 2019.
- **Unassigned Fund Balance:** This 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.

**Deferred Outflows/Inflows of Resources**

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

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

b. Significant Accounting Policies (Continued)

**Deferred Outflows/Inflows of Resources (Continued)**

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

**Investments**

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

**Property Taxes**

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

The property tax calendar is as follows:

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

**Capital Assets**

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

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

b. Significant Accounting Policies (Continued)

**Capital Assets (Continued)**

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

**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 it has 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 specific maximums. Generally, after one year of service, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination.

**Estimates**

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



**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**2. CASH AND INVESTMENTS**

**Cash and Investments**

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

Checking account	\$ 362,687
Savings account	400,315
Bank account - payroll	<u>17,891</u>
Subtotal deposits	780,893
Orange County Investment Pool	<u>2,355,582</u>
Total cash and investments	<u>\$ 3,136,475</u>

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

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

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

N/A - Not Applicable

**2. CASH AND INVESTMENTS (CONTINUED)**

**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. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity as of June 30, 2019.

	Maturity in Years
	<u>Less Than</u> <u>1 Year</u>
Orange County Investment Pool	<u>\$ 2,355,582</u>

**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 March 29, 2019, Standard & Poor’s Rating Services reaffirmed its AAAM Principal Stability Fund Rating for the Orange County Investment Pool (OCIP). The OCIP is not registered with the Securities and Exchange Commission.

**Concentration of Credit Risk**

Concentration of credit is the risk of loss attributed to the magnitude to the District’s investment in a single issue.

The District’s 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.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY**

**Notes to Basic Financial Statements**

**June 30, 2019**

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**2. CASH AND INVESTMENTS (CONTINUED)**

**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 provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units in excess of federal deposit insurance limit by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2019, the District's deposits (bank balances) were insured by the Federal Deposit Insurance Corporation or collateralized as required under California law.

**District Investments in Orange County Investment Pool**

The District is a voluntary participant in the OCIP that is regulated by California Government Code and the Orange County Board of Supervisors under the oversight of the County of Orange Treasury Oversight Committee. The fair value of the District's investments in this pool is reported in the accompanying financial statements at amounts based upon the District's pro rata share of the fair value provided by the OCIP for each respective portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the OCIP, which are recorded on an amortized cost basis.

**Fair Value Measurements**

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices of similar assets in active markets, and Level 3 inputs are significant unobservable inputs.

The District's investments in the OCIP are not subject to the fair value hierarchy.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

**3. CAPITAL ASSETS**

Capital assets consist of the following at June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 81,498	\$ -	\$ -	\$ 81,498
Construction in progress	-	3,006,397	(1,687,642)	1,318,755
Total capital assets, not being depreciated	<u>81,498</u>	<u>3,006,397</u>	<u>(1,687,642)</u>	<u>1,400,253</u>
Capital assets, being depreciated:				
Building and other improvements	2,399,075	1,687,642	-	4,086,717
Equipment and furniture	908,426	-	-	908,426
Total capital assets, being depreciated	<u>3,307,501</u>	<u>1,687,642</u>	<u>-</u>	<u>4,995,143</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,640,986)	(42,191)	-	(1,683,177)
Equipment and furniture	(798,806)	(28,112)	-	(826,918)
Total accumulated depreciation	<u>(2,439,792)</u>	<u>(70,303)</u>	<u>-</u>	<u>(2,510,095)</u>
Total capital assets, being depreciated, net	<u>867,709</u>	<u>1,617,339</u>	<u>-</u>	<u>2,485,048</u>
Total capital assets, net	<u>\$ 949,207</u>	<u>\$ 4,623,736</u>	<u>\$ (1,687,642)</u>	<u>\$ 3,885,301</u>

Depreciation expense for depreciable capital assets was \$70,303 in 2019.

**4. LONG-TERM LIABILITIES**

Long-term liabilities consist of the following at June 30, 2019:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year	Due in More Than One Year
<b>Direct Borrowings</b>						
Installment Sale Agreement	\$ 1,200,000	-	(31,637)	\$ 1,168,363	\$ 32,681	\$ 1,135,682
<b>Other Long-Term Liabilities</b>						
Compensated absences	75,663	95,703	(98,402)	72,964	31,375	41,589
	<u>\$ 1,275,663</u>	<u>\$ 95,703</u>	<u>\$ (130,039)</u>	<u>\$ 1,241,327</u>	<u>\$ 64,056</u>	<u>\$ 1,177,271</u>

**Compensated Absences**

Compensated absences are composed of unpaid vacation and sick leave, which are accrued as earned (see Note 1b).

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY**  
**Notes to Basic Financial Statements**  
**June 30, 2019**

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**4. LONG-TERM LIABILITIES (CONTINUED)**

***Installment Sale Agreement***

On May 1, 2018, the District entered into a twenty-year financial lease with California Infrastructure and Economic Development Bank to fund energy-efficient improvements to the District's facilities. Under the terms of the lease, the District may borrow up to \$1,200,000 or the eligible costs of the project. At June 30, 2019, the District has drawn down \$1,126,100 and the remaining balance is reported as a receivable in the accompanying financial statements. The lease accrues interest at rate of 3.3%, payable semiannually on August 1 and February 1. Principal payments are due annually on August 1. In addition, an annual fee is due with the principal payment equal to .3% of the outstanding principal amount. As of June 30, 2019, the outstanding principal amount was \$1,168,363.

The debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 32,681	\$ 41,522	\$ 74,203
2021	33,760	40,327	74,087
2022	34,874	39,094	73,968
2023	36,025	37,819	73,844
2024	37,213	36,503	73,716
2025 - 2029	205,320	161,194	366,514
2030 - 2034	241,508	121,118	362,626
2035 - 2039	284,075	73,981	358,056
2040 - 2044	262,907	19,708	282,615
Totals	<u>\$ 1,168,363</u>	<u>\$ 571,266</u>	<u>\$ 1,739,629</u>

**5. DEFINED CONTRIBUTION PLAN**

**Plan Description**

The District's employees participate in a defined contribution plan administered by Public Agency Retirement Services. All employees with six months of service and who are at least 21 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 as follows: 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.

**5. DEFINED CONTRIBUTION PLAN (CONTINUED)**

**Plan Description (Continued)**

(1) (Continued)

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 under 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 shall be determined upon the following, which is 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 under Tier II shall be 100% vested upon attaining the age of 65 or upon completion of five years of service with the District. If neither the age nor years of service requirement has been met at termination of employment, vesting shall be determined upon the following, which is 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, 2019, the District contributed \$57,638 (pension expense), which is based on covered salaries of \$1,264,779 for the covered period. There were 22 covered employees during the year. Assets of the plan totaled \$1,084,533 at June 30, 2019. At June 30, 2019, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY**

**Notes to Basic Financial Statements**

**June 30, 2019**

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**6. RISK MANAGEMENT**

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

At June 30, 2019, the District's insurance coverages were as follows:

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

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

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

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

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

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

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

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

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

Workers' Compensation - Insured for up to the statutory limits.

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

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY**

**Notes to Basic Financial Statements**

**June 30, 2019**

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**7. RELATIONSHIP TO PLACENTIA CIVIC CENTER AUTHORITY**

The Placentia Civic Center Authority (Authority), through a joint powers agreement between the City of Placentia (City) and the District, was formed in May 1972 for the purpose of selling a bond 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. The costs of the civic center complex are shared between the City and the District. The District pays 50% and 35% of landscape and outside maintenance and utilities, respectively.

During fiscal year 2019, the District paid \$18,008 and \$57,708 for landscape and outside maintenance and utilities, respectfully.

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

**8. COMMITMENTS AND CONTINGENCIES**

**Litigation**

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

**Construction Commitments**

The District has entered into various contracts for the improvements on the District's facilities. The amounts contracted are based on the estimated costs of construction. At June 30, 2019, total remaining commitments on these contracts was \$1,555,200.

**9. SUBSEQUENT EVENTS**

Events occurring after June 30, 2019, have been evaluated for possible adjustments to the financial statements or disclosure as of January 15, 2020, which is the date these financial statements were available to be issued.



**REQUIRED SUPPLEMENTARY INFORMATION**

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the year ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive/ (Negative)
<b>REVENUES:</b>				
Property taxes	\$ 2,464,151	\$ 2,464,151	\$ 2,614,136	\$ 149,985
Grants and other contributions	137,000	137,000	107,545	(29,455)
Library income	143,500	143,500	280,430	136,930
Impact fees	10,000	10,000	72,071	62,071
Interest income	8,500	8,500	51,260	42,760
Other	700	700	-	(700)
<b>TOTAL REVENUES</b>	<b>2,763,851</b>	<b>2,763,851</b>	<b>3,125,442</b>	<b>361,591</b>
<b>EXPENDITURES:</b>				
General Government:				
Salaries and employee benefits	1,840,461	1,840,461	1,840,328	133
Office and administration	96,440	96,440	177,261	(80,821)
Books and library materials	272,000	272,000	329,479	(57,479)
Professional and special services	170,950	170,950	185,668	(14,718)
Maintenance	225,000	225,000	355,514	(130,514)
Library program	39,000	39,000	36,485	2,515
Miscellaneous	20,000	20,000	41,187	(21,187)
Capital outlay	-	-	3,006,397	(3,006,397)
Debt Service				
Principal retirement	-	-	31,637	(31,637)
Interest and fiscal charges	-	-	32,118	(32,118)
<b>TOTAL EXPENDITURES</b>	<b>2,663,851</b>	<b>2,663,851</b>	<b>6,036,074</b>	<b>(3,308,468)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	100,000	100,000	(2,910,632)	(3,670,059)
<b>OTHER FINANCING SOURCES:</b>				
Loan proceeds	-	-	1,200,000	1,200,000
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>-</b>	<b>1,200,000</b>	<b>1,200,000</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>100,000</b>	<b>100,000</b>	<b>(1,710,632)</b>	<b>(2,470,059)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>4,309,103</b>	<b>4,309,103</b>	<b>4,309,103</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 4,409,103</b>	<b>\$ 4,409,103</b>	<b>\$ 2,598,471</b>	<b>\$ (2,470,059)</b>

See accompanying note to required supplementary information.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY**

**Note to Required Supplementary Information**

**June 30, 2019**

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***1. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY***

**General Budget Policies**

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

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

**Continuing Appropriations**

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