

ORANGE COUNTY PUBLIC LAW LIBRARY

Financial Statements

With

Independent Auditor's Report

For the Years Ended June 30, 2017 and 2016

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Independent Auditor's Report

To the Board of Trustees
Orange County Public Law Library
Santa Ana, California

We have audited the accompanying financial statements of the Orange County Public Law Library (Library), which comprise the statements of assets, liabilities, and fund balance— modified cash basis as of June 30, 2017 and 2016, and the related statements of revenues and expenditures and changes in fund balance – modified cash basis for the years then ended and the related notes to the financial statements – modified cash basis.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

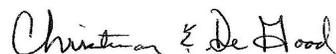
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balance arising from cash transactions of the Orange County Public Law Library as of June 30, 2017 and 2016, and the revenue collected and expenses disbursed and the changes in its fund balance for the years then ended in conformity with the modified cash basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Riverside, California
September 27, 2017



Christenson & De Good
Certified Public Accountants

ORANGE COUNTY PUBLIC LAW LIBRARY

Statements of Assets, Liabilities, and Fund Balance – Modified Cash Basis

| | June 30, | 2017 | 2016 |
|---|-----------------|--------------------|--------------------|
| ASSETS | | | |
| Cash, cash equivalents, and investments | | \$4,737,449 | \$5,992,094 |
| Other assets | | <u>1,125</u> | <u>1,163</u> |
| Total assets | | <u>\$4,738,574</u> | <u>\$5,993,257</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Refundable deposits | | \$ 172,522 | \$ 169,673 |
| Fund Balance | | | |
| Unassigned | | <u>4,566,052</u> | <u>5,823,584</u> |
| Total liabilities and fund balance | | <u>\$4,738,574</u> | <u>\$5,993,257</u> |

The accompanying notes are an integral part of these financial statements.

ORANGE COUNTY PUBLIC LAW LIBRARY

Statements of Revenues and Expenditures and Changes in Fund Balance– Modified Cash Basis

| | For the Years Ended June 30, | 2017 | 2016 |
|--|-------------------------------------|--------------------|--------------------|
| Revenue | | | |
| Court fees | | \$2,697,418 | \$2,529,351 |
| Interest income | | 37,599 | 23,943 |
| Miscellaneous | | <u>12,947</u> | <u>160,963</u> |
| Total revenue | | <u>2,747,964</u> | <u>2,714,257</u> |
| Expenditures | | | |
| Books, periodicals, and related expenditures | | 396,747 | 468,814 |
| Salaries and related benefits | | 3,183,120 | 1,659,947 |
| Equipment purchases and facility improvements | | 98,980 | 15,174 |
| General and administrative expenditures | | <u>326,649</u> | <u>361,628</u> |
| Total expenditures | | <u>4,005,496</u> | <u>2,505,563</u> |
| Increase (decrease) of revenue over expenditures | | <u>(1,257,532)</u> | <u>208,694</u> |
| Fund balance, beginning of the year | | <u>5,823,584</u> | <u>5,614,890</u> |
| Fund balance, end of the year | | <u>\$4,566,052</u> | <u>\$5,823,584</u> |

The accompanying notes are an integral part of these financial statements.

ORANGE COUNTY PUBLIC LAW LIBRARY

Notes to Financial Statements – Modified Cash Basis

1. Organization

The Orange County Public Law Library (Library) operates and maintains a central library at the Santa Ana Civic Center. The Library provides books and other reference materials for use by judges and attorneys and is open to the public. Principal funding of the Library operations is derived from Superior Court civil filing fees as prescribed by various sections of the California Government Code and Business and Professions Code.

The Library is governed by a Board of Trustees. Pursuant to Resolution Number 69-673 of the Board of Supervisors of Orange County, California, the Library is entitled to the exclusive use of the building it has occupied since September 1971. The County of Orange provides accounting and facilities maintenance services to the Library.

2. Summary of Significant Accounting Policies

A description of the significant accounting principles employed in the preparation of these financial statements follows:

Basis of Accounting

The accompanying financial statements are prepared on the modified basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles (GAAP). Under this accounting basis, certain revenues, principally court fees and interest income, are recorded when collected, rather than when earned, and certain costs and expenses, principally salaries and related benefits, and book purchases, are recorded when paid rather than when incurred. Conformity with GAAP would require recognition of income when earned and expenses when incurred in the accompanying financial statements. Such variances from GAAP are presumed to be material. However, similar to financial statements prepared in accordance GAAP, these financial statements reflect a liability for refundable deposits held by the Library.

Cash Equivalents

The Library considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Investment Policy

The Board of Trustees adopted an investment policy intended to fulfill the requirements of California Government Code and Business and Professions Code for Law Libraries. All money received from any source shall be deposited with the Treasurer of the County of Orange. The Library Director shall determine if the Library has funds in excess of \$100,000. Excess funds shall be defined to be surplus funds under the California Business and Professions Code and may be deposited and/or invested in the following types of accounts: (1) Treasurer the County of Orange; (2) Local Agency Investment Fund; and (3) Financial institution which is insured by the FDIC to a maximum of \$250,000.

3. Cash, Cash Equivalents, and Investments

Cash and cash equivalents held by the Library are comprised of the following as of June 30:

| | 2017 | 2016 |
|--|--------------------|--------------------|
| Deposit in financial institution | \$ 30,000 | \$ 30,000 |
| Cash held by the Orange County Investment Pool (OCIP) | 558,422 | 844,019 |
| Cash held by State's Local Agency Investment Fund (LAIF) | 4,149,027 | 5,118,075 |
| | <u>\$4,737,449</u> | <u>\$5,992,094</u> |

ORANGE COUNTY PUBLIC LAW LIBRARY
Notes to Financial Statements – Modified Cash Basis

3. Cash, Cash Equivalents, and Investments (continued)

For the purposes of the following discussion, these accounts have been classified as follows at June 30:

| | 2017 | 2016 |
|-------------|-------------|-------------|
| Deposits | \$ 30,000 | \$ 30,000 |
| Investments | 4,707,449 | 5,962,094 |
| | \$4,737,449 | \$5,992,094 |

Deposits

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure Library deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits. At June 30, 2017 and 2016 the actual bank statement balances for deposits were \$27,035 and \$27,347, respectively.

Federal Deposit Insurance Corporation (FDIC) is available for funds deposited at any one financial institution up to a maximum of \$250,000.

Investments

The Library is a participant in the OCIP's external investment pool. The County pools these funds with those of other entities and invests the cash as prescribed by the California Government Code. These pooled funds are reported at cost, which approximates fair value. Interest earned on the pooled funds is distributed monthly based on the average daily balance of each fund. Fair value on the Library's position in the pool approximate the value of the pool shares. For OCIP detail refer to the County's comprehensive annual financial report at <http://acdcweb01.ocgov.com/acinternet/Reports/CAFRReports.aspx>.

The Library deposits surplus funds in LAIF's external investment pool. The State of California pools these funds to provide an investment alternative for California's local governments and special districts. The State Treasurer pools these funds in accordance with California Government Code. These pooled funds are reported at cost, which approximates fair value. Interest earned on the pooled funds is distributed quarterly based on a dollar-day basis to guarantee equitable distribution among all member funds. Fair value on the Library's position in the pool approximate the value of the pool shares. For more information regarding investments with LAIF, refer to the California State Treasurer's web site at <http://www.treasurer.ca.gov/pmia-laif/pmia.asp>.

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 Library's deposits are not exposed to custodial credit risk, since all of its deposits are covered by FDIC.

Custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. This risk does not apply to a local government's indirect investment in securities through the use of government investment pools, such as cash held by Orange County and LAIF.

ORANGE COUNTY PUBLIC LAW LIBRARY

Notes to Financial Statements – Modified Cash Basis

4. Designated Cash Reserves

The Library designated surplus funds held by LAIF as follows as of June 30:

| | 2017 | 2016 |
|---------------------|--------------------|--------------------|
| Casualty loss | \$ 500,000 | \$ 500,000 |
| Employee benefits | 190,078 | 181,906 |
| Facility needs | 2,310,315 | 3,310,315 |
| Insurance | 137,500 | 137,500 |
| Technology upgrades | 100,000 | 100,000 |
| | <u>\$3,237,893</u> | <u>\$4,229,721</u> |

These designations are not based on any legal restrictions or board of trustees' action to commit the Library's fund balances.

5. Refundable Deposits

Library patrons are required to make a deposit of \$100 before book-borrowing privileges are extended. The deposit is returned, less any applicable fines or lost book charges, when the borrowing privileges are cancelled by the patron.

6. Retirement Plans

Orange County Employees Retirement System (OCERS)

Plan Description

The Library participates in the Orange County Employees Retirement System (OCERS), a cost-sharing multiple-employer defined-benefit pension plan (Plan) operating under the County Employees Retirement Act of 1937. All qualified employees are eligible to participate in the Plan. Benefit provisions under the Plan are established by State's statute and Library resolution. The Plan provides retirement benefits calculated at a percentage of compensation for each completed year of service based on a normal retirement age. The Plan also provides disability benefits to members and death benefits to beneficiaries of members. A Comprehensive Annual Financial Report (CAFR) of the OCERS is prepared that includes all financial information relating to the Plan. The most recent publicly available CAFR can be found online at www.ocers.org/finance/finance.htm.

Funding Policy

Active Plan members are required to contribute a percentage of their annual compensation to OCERS based on certain actuarial assumptions and the member's age at entry in OCERS. The Library makes contributions to the Plan in amounts that, when combined with employees' contributions, fund actuarially computed costs as they accrue. The Library's pension plan contributions made during the years ended June 30, 2017 and 2016, were \$1,732,631 and \$281,366, respectively.

Deferred Compensation Plan

The Library also maintains a deferred compensation program qualified under Section 457 of the Internal Revenue Code. Participating employees contribute a percentage of their salary to the plan. The only cost to the Library is the incidental maintenance cost of the plan, which is minor.

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Notes to Financial Statements – Modified Cash Basis

7. Postemployment Health Care Benefits

Plan Description

The Library employees participate in the County of Orange Retiree Medical Program (RMP). The RMP was established by the County Board of Supervisors (Board). The Board also has the authority to amend the plan. Eligible retired Library employees receive a monthly grant which helps offset the cost of monthly County-offered health plans and/or Medicare A and/or B premiums. The RMP states that it does not create any vested right to the benefits.

In order to be eligible to receive the grant upon retirement, the employee must have completed at least 10 years of continuous County service (although exceptions for disability retirements exist), be enrolled in a County sponsored health plan and/or Medicare, qualify as a retiree as defined by the RMP, and be able to receive a monthly benefit payment from the OCERS. The RMP provides a frozen lump sum payment to terminated employees not eligible to receive the grant.

Funding Policy

Employer contributions are made based on the Annual Required Contribution based on bi-annual actuarial valuations which a County contracted actuarial consultant provides. In order to more adequately fund benefits under the RMP, the Board adopted the County of Orange Retiree Medical Trust (Trust) effective July 2, 2007. The Trust is an Internal Revenue Code section 115 trust for which the County Chief Financial Officer is the Trustee. In addition, OCERS has established an Internal Revenue Code section 401(h) account to invest monies and acts as Trustee for the 401 (h) account which is used to pay the monthly grants. OCERS issues a CAFR for each fiscal year ending December 31, which includes the RMP. The CAFR can be obtained online at www.ocers.org/finance/finance.htm

Employees are paying an additional 1.75 percent of their salaries toward the employer's retirement contribution, to help offset the Library's cost of the RMP. The Library's cost of contributions made during the years ended June 30, 2017 and 2016, were \$48,011 and \$37,762, respectively.