

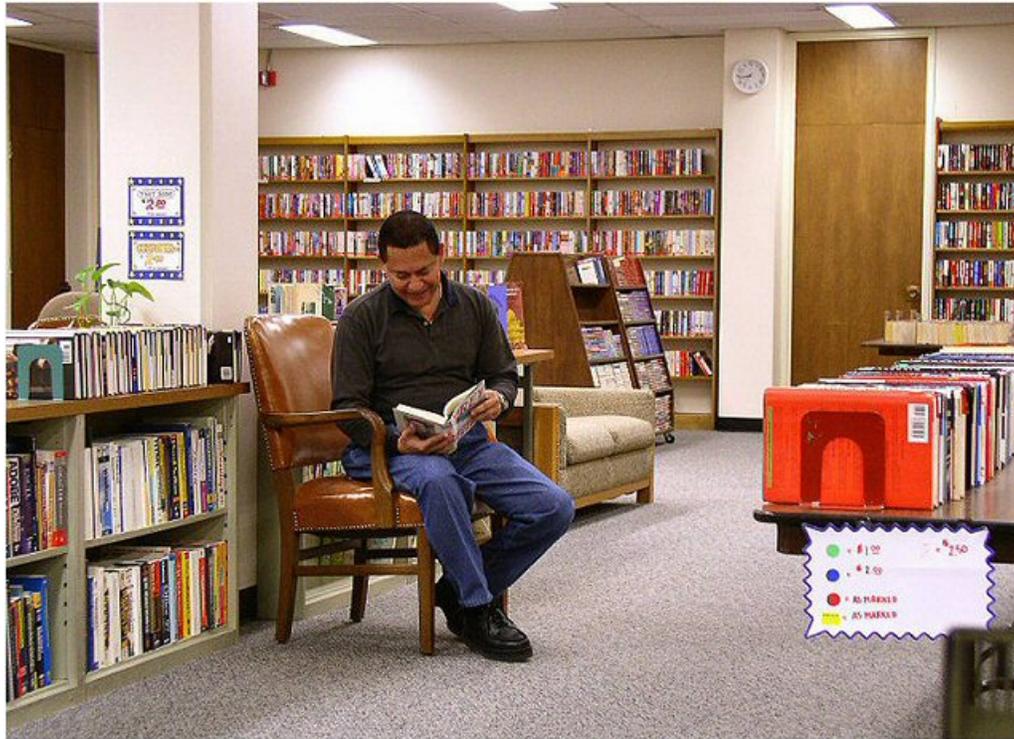


Buena Park Library District

Annual Financial Report

For the Fiscal Year Ended June 30, 2018





**Buena Park Library District
Board of Trustees as of June 30, 2018**

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Patricia Ganer	President	Elected	12/16 - 12/20
Irene Casteana	President Pro Term	Elected	12/16 - 12/20
Dennis Salts	Secretary	Elected	12/16 - 12/20
Dr. Rajen Vurdien	Trustee	Appointed	11/17 - 12/18
Al Salehi	Trustee	Elected	12/14 - 12/18

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

**Buena Park Library District
Annual Financial Report
For the Fiscal Year Ended June 30, 2018**

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Financial Section



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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Buena Park Library District (District) as of and for the year ended June 30, 2018, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 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 Buena Park Library District as of June 30, 2018, 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.

Independent Auditor's Report, continued

Emphasis of a Matter

Restatement of Net Position

As discussed in Note 7 to the financial statements, in fiscal year 2018, the District adopted the provisions of GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Consequently, the beginning net OPEB liability was recorded and net position was restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and the required supplementary information on pages 36 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 8, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. That report can be found on pages 41 and 42.

Fedak & Brown LLP

Fedak & Brown LLP

Cypress, California

November 8, 2018

Buena Park Library District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

As management of the Buena Park Library District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities and performance of the District for the fiscal year ended June 30, 2018. Please read it in conjunction with additional information that we have furnished in the accompanying basic financial statements, which follow this section.

Financial Highlights

- The District's net position increased 5.8% or \$397,833 from \$6,846,341 to \$7,244,174, in 2018, due to an increase of \$1,049,391 from continued operations; which was offset by a decrease of \$651,558 as a result of implementing GASB 75.
- Total revenues from all sources increased by 7.4% or \$252,626 from the prior year primarily due to increases in property tax revenue of \$225,132 and interest earnings of \$18,178.
- Total expenses decreased 2.0% or \$53,041 from the prior year primarily due to a decrease in salaries and benefits of \$57,635.

Using This Financial Report

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

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

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

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

Buena Park Library District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2018

Governmental Funds Financial Statements

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

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 13 through 35.

Condensed Statements of Net Position

	2018	2017	Change
Assets:			
Assets	\$ 6,844,603	6,296,881	547,722
Capital assets, net	1,331,549	1,321,797	9,752
Total assets	8,176,152	7,618,678	557,474
Deferred outflows of resources	1,239,679	1,382,528	(142,849)
Total deferred outflows of resources	1,239,679	1,382,528	(142,849)
Liabilities:			
Liabilities	1,912,640	1,940,776	(28,136)
Total liabilities	1,912,640	1,940,776	(28,136)
Deferred inflows of resources	259,017	214,089	44,928
Total deferred inflows of resources	259,017	214,089	44,928
Net position:			
Net investment in capital assets	1,331,549	1,321,797	9,752
Unrestricted	5,912,625	5,524,544	388,081
Total net position	\$ 7,244,174	6,846,341	397,833

Buena Park Library District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2018

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 and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$7,244,174 as of June 30, 2018.

A portion of the District's net position (18.4%) reflects its investment in capital assets (net of accumulated depreciation); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to operate the library; consequently, these assets are *not* available for future spending.

At the end of fiscal year 2018, the District shows a positive balance in its unrestricted net position of \$5,912,625 that may be utilized in future years.

Condensed Statements of Activities

<i>Governmental Activities:</i>	<u>2018</u>	<u>2017</u>	<u>Change</u>
Expenses:			
Library operations	\$ 2,616,740	2,669,781	(53,041)
Program revenues	441,861	429,850	12,011
General revenues	<u>3,224,270</u>	<u>2,983,655</u>	<u>240,615</u>
Total revenues	<u>3,666,131</u>	<u>3,413,505</u>	<u>252,626</u>
Change in net position	1,049,391	743,724	305,667
Net position, beginning of year	<u>6,846,341</u>	<u>6,102,617</u>	<u>743,724</u>
Prior period adjustment	<u>(651,558)</u>	<u>-</u>	<u>(651,558)</u>
Net position – beginning of year, as restated	<u>6,194,783</u>	<u>6,102,617</u>	<u>92,166</u>
Net position, end of year	<u>\$ 7,244,174</u>	<u>6,846,341</u>	<u>397,833</u>

The statement of activities shows how the government's net position changes during the fiscal year. In the case of the District, net position increased by \$397,833 during the fiscal year ended June 30, 2018, due to an increase of \$1,049,391 from continued operations; which was offset by a decrease of \$651,558 as a result of implementing GASB 75.

Governmental Fund Financial Analysis

The focus of the District's *governmental 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 the government's net resources for spending at the end of the fiscal year.

As of June 30, 2018, the District's General Fund reported a fund balance of \$6,747,387. An amount of \$6,660,456 constitutes the District's *unassigned fund balance*, which is available for spending or designation at the District's discretion. See Note 9 for further discussion.

Buena Park Library District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2018

General Fund Budgetary Highlights

The actual expenditures at year end were \$355,199 more than budgeted. The variance is primarily due to the net effect of actual salaries and benefits of \$402,075 more than budget; and capital outlay of \$91,416 more than budget; less materials and services of \$108,606 less than budget and facilities of \$29,686 less than budget. Actual revenues were more than the anticipated budget by \$31,861, primarily due to more than budgeted charges for services and property tax revenue. The General Fund budget to actual comparison schedule can be found on page 36.

Capital Asset Administration

At the end of fiscal year 2018, the District's investment in capital assets amounted to \$1,331,549 (net of accumulated depreciation). This investment in capital assets includes land, building, building improvements, equipment and furniture. See Note 3 for further information.

	Balance			Balance
Capital assets:	2017	Additions	Deletions	2018
Non-depreciable assets	\$ 186,335	66,108	-	252,443
Depreciable assets	3,543,870	49,921	-	3,593,791
Accumulated depreciation	(2,408,408)	(106,277)	-	(2,514,685)
Total depreciable asset, net	<u>1,135,462</u>	<u>(56,356)</u>	<u>-</u>	<u>1,079,106</u>
Total capital assets, net	<u>\$ 1,321,797</u>			<u>1,331,549</u>

Conditions Affecting Current Financial Position

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

Requests for Information

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the Library Director, Mary McCasland, at the Buena Park Library District, 7150 La Palma Avenue, Buena Park, California 90620, or by telephone at (714) 826-4100.

Basic Financial Statements

Buena Park Library District
Statement of Net Position
June 30, 2018

		<u>2018</u>
Assets:		
Cash and cash equivalents (note 2)	\$	6,765,450
Accrued interest receivable		16,401
Property taxes receivable		28,914
Prepaid expenses and deposits		33,838
Capital assets, net (note 3)		<u>1,331,549</u>
Total assets		<u>8,176,152</u>
Deferred outflows of resources:		
Deferred pension outflows (note 6)		1,065,035
Deferred OPEB outflows (note 5)		<u>174,644</u>
Total deferred outflows of resources		<u>1,239,679</u>
Liabilities:		
Accounts payable		58,091
Accrued payroll and related expenses		39,125
Compensated absences (note 4)		53,093
Net pension liability (note 6)		1,050,195
Net other post-employment benefits liability (note 5)		<u>712,136</u>
Total liabilities		<u>1,912,640</u>
Deferred inflows of resources:		
Deferred pension inflows (note 6)		229,701
Deferred OPEB inflows (note 5)		<u>29,316</u>
Total deferred inflows of resources		<u>259,017</u>
Net position:		
Net investment in capital assets		1,331,549
Unrestricted (note 8)		<u>5,912,625</u>
Total net position	\$	<u><u>7,244,174</u></u>

See accompanying notes to the basic financial statements

Buena Park Library District
Statement of Activities
For the Fiscal Year Ended June 30, 2018

<i>Governmental Activities:</i>	<u>2018</u>
Expenses:	
Library operations:	
Salaries and benefits	\$ 1,919,055
Materials and services	529,094
Facilities	62,314
Depreciation	<u>106,277</u>
Total expenses	<u>2,616,740</u>
Program revenues:	
Charges for services	411,719
Operating grants and contributions	<u>30,142</u>
Total program revenues	<u>441,861</u>
Net program expense	<u>2,174,879</u>
General revenues:	
Property taxes	3,165,363
Interest earnings	55,815
Other	<u>3,092</u>
Total general revenues	<u>3,224,270</u>
Changes in net position	1,049,391
Net position, beginning of year	<u>6,846,341</u>
Prior period adjustment (note 7)	<u>(651,558)</u>
Net position beginning of year, as restated	<u>6,194,783</u>
Net position, end of year	<u>\$ 7,244,174</u>

See accompanying notes to the basic financial statements

Buena Park Library District
Balance Sheet — Governmental Fund
June 30, 2018

	General Fund	Reclassifications & Eliminations	Statement of Net Position
Assets:			
Cash and cash equivalents	\$ 6,765,450	-	6,765,450
Accrued interest receivable	16,401	-	16,401
Property taxes receivable	28,914	-	28,914
Prepaid expenses and deposits	33,838	-	33,838
Capital assets, net	-	1,331,549	1,331,549
Total assets	6,844,603	1,331,549	8,176,152
Deferred outflows of resources:			
Deferred pension outflows	-	1,065,035	1,065,035
Deferred OPEB outflows	-	174,644	174,644
Total deferred outflows of resources	-	1,239,679	1,239,679
Total assets	\$ 6,844,603	2,571,228	9,415,831
Liabilities:			
Accounts payable	\$ 58,091	-	58,091
Accrued payroll and related expenses	39,125	-	39,125
Compensated absences	-	53,093	53,093
Net pension liability	-	1,050,195	1,050,195
Net other post-employment benefits liability	-	712,136	712,136
Total liabilities	97,216	1,815,424	1,912,640
Deferred inflows of resources:			
Deferred pension inflows	-	229,701	229,701
Deferred OPEB inflows	-	29,316	29,316
Total deferred inflows of resources	-	259,017	259,017
Fund balance: (note 9)			
Nonspendable	33,838	(33,838)	-
Assigned	53,093	(53,093)	-
Unassigned	6,660,456	(6,660,456)	-
Total fund balance	6,747,387	(6,747,387)	-
Total liabilities and fund balance	\$ 6,844,603		
Net position:			
Net investment in capital assets		\$ 1,331,549	1,331,549
Unrestricted		5,912,625	5,912,625
Total net position		\$ 7,244,174	7,244,174

See accompanying notes to the basic financial statements

Buena Park Library District
Reconciliation of the Balance Sheet of Governmental
Type Fund to the Statement of Net Position
June 30, 2018

Reconciliation:

Fund balance of governmental funds	\$	6,747,387
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Amount reported for governmental activities in the statement of net position is different because:

Non-current assets and deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.

Capital assets, net		1,331,549
Deferred pension outflows		1,065,035
Deferred OPEB outflows		174,644

Long-term liabilities and deferred inflows of resources applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities and deferred inflows of resources, both current and long-term, are reported in the statement of net position.

Compensated absences		(53,093)
Net pension liability		(1,050,195)
Net OPEB liability		(712,136)
Deferred pension inflows		(229,701)
Deferred OPEB inflows		(29,316)

Net position of governmental activities	\$	<u><u>7,244,174</u></u>
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See accompanying notes to the basic financial statements

Buena Park Library District
Statement of Revenues, Expenditures, and Changes in
Fund Balance — Governmental Fund
For the Fiscal Year Ended June 30, 2018

	<u>General Fund</u>	<u>Reclassifications & Eliminations</u>	<u>Statement of Activities</u>
Expenditures/Expenses:			
Library operations:			
Salaries and benefits	\$ 2,413,175	(494,120)	1,919,055
Materials and services	529,094	-	529,094
Facilities	62,314	-	62,314
Capital outlay	116,029	(116,029)	-
Depreciation	-	106,277	106,277
Total expenditures/expenses	<u>3,120,612</u>	<u>(503,872)</u>	<u>2,616,740</u>
Program revenues:			
Charges for services	411,719	-	411,719
Operating grants and contributions	30,142	-	30,142
Total program revenues	<u>441,861</u>	<u>-</u>	<u>441,861</u>
Net program expense			<u>2,174,879</u>
General revenues:			
Property taxes	3,165,363	-	3,165,363
Interest earnings	55,815	-	55,815
Other	3,092	-	3,092
Total general revenues	<u>3,224,270</u>	<u>-</u>	<u>3,224,270</u>
Total revenues	<u>3,666,131</u>	<u>-</u>	
Net changes in fund balance	545,519	(545,519)	-
Changes in net position	-	1,049,391	1,049,391
Fund balance/Net position, beginning of year, as restated	<u>6,201,868</u>	<u>-</u>	<u>6,194,783</u>
Fund balance/Net position, end of year	<u>\$ 6,747,387</u>	<u>-</u>	<u>7,244,174</u>

See accompanying notes to the basic financial statements

Buena Park Library District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of Governmental Type Fund to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Reconciliation:

Net changes in fund balance of governmental fund	\$	538,906
Amount reported for governmental activities in the statement of activities is different because:		
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenses in governmental funds.		
Net change in salaries and benefit		494,120
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital outlay	\$ 116,029	
Depreciation expense	<u>(99,664)</u>	
		<u>16,365</u>
Changes in net position of governmental activities	\$	<u><u>1,049,391</u></u>

See accompanying notes to the basic financial statements

Buena Park Library District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

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

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board No. 14 and 39 (an amendment of No. 14). The District is the primary governmental unit based on the foundation of a separately elected governing board. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

The Volunteer Guild of the Buena Park Library (Guild) was incorporated on January 22, 2001. The Guild is a California nonprofit public benefit corporation formed to maintain an association of persons committed to the enrichment of the community by raising funds to assist the Buena Park Library in acquiring material and equipment, completing projects or presenting public programs. The Guild operates the District's used book store and solicits donations and grants for the District. Although the Guild is legally separate, it is included as a blended component unit of the District, as it is in substance part of the District's operations.

B. Basis of Accounting and Measurement Focus

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

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

Government-wide Financial Statements

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

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

B. Basis of Accounting and Measurement Focus, continued

Governmental Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the differences in net position in the statements of net position presented in the Government-wide Financial Statements. The District has presented its General Fund as its major fund in this statement to meet the qualifications of GASB Statement No. 34.

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

The District reports the following major governmental fund:

General Fund – is a government’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund when necessary.

C. Financial Reporting

The District’s basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45 – *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57 – *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB.

In March 2016, the GASB issued Statement No. 81 – *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

C. Financial Reporting, continued

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

In March 2017, the GASB issued Statement No. 85 – *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

In May 2017, the GASB issued Statement No. 86 – *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

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

3. Investments and Investment Policy

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

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

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

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

4. Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets.

Level 2 – Valuation based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 – Valuation based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity, and other assumptions that are internally generated and cannot be observed in the market.

5. Prepaid Expenses

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

6. Property Taxes

Property taxes attach an enforceable lien on property as of January 1, each year. Secured property taxes are levied on July 1, and are payable in two installments, on December 10 and April 10. The County of Orange Assessor's Office assesses all real and personal property within the County each year. The County of Orange Tax Collector's Office bills and collects the District's share of property taxes. The County of Orange Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

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

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

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

7. Capital Assets

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

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

8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources applicable to future periods.

9. Compensated Absences

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

10. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources applicable to future periods.

11. Postemployment Benefit Other Than Pension (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the California Employers' Retiree Benefit Trust (CERBT) and additions to/deductions from CERBT's fiduciary net position have been determined on the same basis as they are reported by CERBT. For this purpose, CERBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

12. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2016
- Measurement Date: June 30, 2017
- Measurement Period: July 1, 2016 to June 30, 2017

13. Net Position

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

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

14. Fund Balance

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

- **Nonspendable fund balance** – amounts that cannot be spent because they are either (a) not spendable in form, or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions, or enabling legislation.
- **Committed fund balance** – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Trustees) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued

14. Fund Balance, continued

- **Assigned fund balance** – amounts that are constrained by the District’s intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the District’s special revenue funds.
- **Unassigned fund balance** – the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned, and unassigned fund balances are considered unrestricted.

The purpose of the District’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

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

(2) Cash and Cash Equivalents

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

		<u>2018</u>
Petty cash	\$	100
Deposits held with financial institutions		2,438,577
Deposits held with Orange County Investment Pool (OCIP)		<u>4,326,773</u>
Total	\$	<u><u>6,765,450</u></u>

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

	<u>2018</u>
Deposits held with Orange County Investment Pool	350 days

Authorized Deposits and Investments

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

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(2) Cash and Cash Equivalents, continued

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balance, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

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 Code and the District's investment policy contain legal and 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 (such as OCIP).

Cash with Orange County Investment Pool

The District is a participant of the Orange County Investment Pool (OCIP). The OCIP is an external investment pool that is not rated and is not registered with the Securities Exchange Commission (SEC). The County Treasury Oversight Committee oversees the activities of the OCIP. Cash on deposit in the OCIP at June 30, 2018, is stated at fair value. The OCIP values participant shares on an amortized cost basis during the year and adjusts to fair value at year-end. The OCIP detail is included on the County of Orange's website at <http://ttc.ocgov.com>.

The District's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 9:30 a.m.
- Next day transaction processing occurs for orders received after 9:30 a.m.
- Withdrawals of \$5 million or more require 24 hours advance notice.
- Transactions may be requested 10 calendar days in advance of the effective date of the transaction.

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2018, the District's investment in the OCIP is not rated and is not registered with the Securities Exchange Commission (SEC).

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(3) Capital Assets

Changes in capital assets for the year were as follows:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2018</u>
Non-depreciable assets:				
Land	\$ 186,335	-	-	186,335
Construction in progress	-	66,108	-	66,108
Total non-depreciable assets	<u>186,335</u>	<u>66,108</u>	<u>-</u>	<u>252,443</u>
Depreciable assets:				
Building	891,592	-	-	891,592
Building improvements	1,991,483	18,119	-	2,009,602
Equipment	418,725	31,802	-	450,527
Furniture and fixtures	242,070	-	-	242,070
Total depreciable assets	<u>3,543,870</u>	<u>49,921</u>	<u>-</u>	<u>3,593,791</u>
Accumulated depreciation:				
Building	(891,593)	-	-	(891,593)
Building improvements	(1,106,094)	(69,583)	-	(1,175,677)
Equipment	(358,799)	(7,085)	-	(365,884)
Furniture and fixtures	(51,922)	(29,609)	-	(81,531)
Total accumulated depreciation	<u>(2,408,408)</u>	<u>(106,277)</u>	<u>-</u>	<u>(2,514,685)</u>
Total depreciable assets, net	<u>1,135,462</u>	<u>(56,356)</u>	<u>-</u>	<u>1,079,106</u>
Total capital assets, net	<u>\$ 1,321,797</u>			<u>1,331,549</u>

(4) Compensated Absences

Compensated absences comprise unpaid vacation leave which is accrued as earned. The District's liability for compensated absences is determined annually. The changes to compensated absences balances were as follows:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2018</u>
\$	<u>58,229</u>	<u>64,847</u>	<u>(69,983)</u>	<u>53,093</u>

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(5) Other Post-Employment Benefits

Plan Description

The District's defined benefit OPEB plan consists of the California Employers' Retiree Benefit Trust (CERBT). The CERBT receives contributions from the District and other participating employers and establishes separate employer prefunding accounts to pay for health care or other post-employment benefits in accordance with the terms of the participating employers' plans. Contributions are voluntarily determined by the District's own funding schedule, and there are no long-term contracts for contributions to the plan. As such, contributions to the CERBT are elective and not required. The CERBT is an agent multiple-employer plan administered by the California Public Employees' Retirement System (CalPERS). CalPERS issues a publicly available financial report that can be obtained at www.calpers.ca.gov.

Benefits Provided

The District provides retiree medical coverage provided by CalPERS (a third-party insurer) as permitted under the Public Employees' Medical and Hospital Care Act (PEMHCA). As a condition of participation in the CalPERS medical program, the District is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. The current PEMHCA resolution defines the District's contribution toward the medical plan premiums for both active and retired employees to be 100% of single coverage premium, not to exceed the Kaiser Basic or Supplemental premium in the Other Southern California Region, plus (up to) \$250 per month toward dependent premiums.

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

	2018
Inactive employees or beneficiaries currently receiving benefit payments	13
Active employees	16
	29

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District's Board of Trustees. The Board establishes rates based on an actuarially determined rate. For the year ended June 30, 2018, the District's average contribution rate was 17.74% of coverage-employee payroll. Employees are not required to contribute to the Plan.

Actuarial Assumptions

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(5) Other Post-Employment Benefits, continued

Actuarial Assumptions, continued

The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2017
Funding method	Entry age normal cost, level percent of pay
Asset valuation method	Market value of assets
Long term return on asset	7.0% as of June 30, 2016 and June 30, 2017, net of plan investment expenses and including inflation
Discount rates	7.0% as of June 30, 2016 and June 30, 2017
Participants value	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered.
Salary increases	3.25% per year, used only to allocate the cost of benefits between service years
Assumed wage inflation	3.00% per year; used to determine amortization payments if developed on a level percent of pay basis
General inflation rate	2.75% per year
Healthcare cost trend rates	Medical plan premiums and claims costs by age are assumed to increase once each year. The increase over the prior year's levels are assumed to be effective as follows: 7.50% for 2019, decreasing 0.50% per year to an ultimate a rate of 5.00% for 2024 and later year

Mortality rates were based on the MacLeod Watts Scale 2017 applied generationally.

The actuarial assumptions used in the June 30, 2017, valuation were based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011 except for a different basis used to project future mortality improvements. The representative mortality rates were those published by CalPERS in their 2014 study, adjusted to back out 20 years of Scale BB to central year 2008.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(5) Other Post-Employment Benefits, continued

Actuarial Assumptions, continued

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57.0 %	11.1 %
Global Debt Securities	27.0	3.9
Inflation Assets	5.0	0.0
REITs	8.0	7.6
Commodities	3.0	(14.0)
	100.0 %	

Discount Rate

The discount rate used to measure the total OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of project benefit payments to determine the total OPEB liability.

Changes in the Net OPEB Liability

Changes in the net OPEB liability for the year were as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at July 1, 2017	\$ 1,777,036	987,154	789,882
Changes for the year:			
Service cost	73,638	-	73,638
Interest	126,778	-	126,778
Differences between expected and actual experience	-	62,952	(62,952)
Contributions – employer	-	179,113	(179,113)
Net investment income	-	36,645	(36,645)
Benefit payments	(79,113)	(79,113)	-
Administrative expense	-	(548)	548
Net changes	121,303	199,049	(77,746)
Balance at June 30, 2018	\$ 1,898,339	1,186,203	712,136

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(5) Other Post-Employment Benefits, continued

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Net OPEB liability	\$ 937,911	712,136	523,322
	\$ 937,911	712,136	523,322

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% increasing to 6.0%)
Net OPEB liability	\$ 498,863	712,136	984,692
	\$ 498,863	712,136	984,692

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued CalPERS financial report.

OPEB Expense and Deferred Outflows(Inflows) of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$121,683. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows or resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to the measurement date	\$ 174,644	-
Net difference between projected and actual earnings on OPEB investments	-	(29,316)
Total	\$ 174,644	(29,316)
	\$ 174,644	(29,316)

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(5) Other Post-Employment Benefits, continued

OPEB Expense and Deferred Outflows(Inflows) of Resources Related to OPEB, continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Net Deferred</u> <u>Outflow/</u> <u>(Inflow)</u>
2019	\$ (7,329)
2020	(7,329)
2021	(7,329)
2022	(7,329)

Payable to the OPEB Plan

At June 30, 2018, the District had no outstanding amount of contributions to the CERBT required for the year ended June 30, 2018.

(6) Defined Benefit Pension Plan

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Pension Plan (Plan or PERF C) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans, respectively. Benefit provisions under the Plan are established by State statute and the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website or may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 60 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. All employees hired after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(6) Defined Benefit Pension Plan, continued

Benefits Provided, continued

The District participates in the Plan's miscellaneous risk pool. The provisions and benefits for the Plan's miscellaneous pool in effect at June 30, 2018, are summarized as follows:

	<u>Classic</u>	<u>New Classic</u>	<u>PEPRA</u>
	Prior to	On or after Jan 1, 2011	After
Hire date	<u>Jan 1, 2011</u>	<u>Dec 31, 2012</u>	<u>Jan 1, 2013</u>
Benefit formula	2.0% @ 55	2.0% @ 60	2.0% @ 62
Benefit vesting schedule		5 years service	
Benefit payments		monthly for life	
Retirement age	55 - 60	50 - 55	52 - 57
Monthly benefits, as a percentage of eligible compensation	1.4% to 2.4%	1.1% to 2.4%	1.0% to 2.5%
Required employee contribution rates	7.00%	7.00%	6.25%
Required employer contribution rates	8.42%	7.20%	6.53%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1, following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2018, the contributions recognized as part of pension expense for the Plan was as follows:

	<u>Miscellaneous</u>
Contributions - employer	\$ <u>1,149,170</u>

Net Pension Liability

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

	<u>Miscellaneous</u>
Proportionate share of net pension liability	\$ <u>1,050,195</u>

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(6) Defined Benefit Pension Plan, continued

Net Pension Liability, continued

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of June 30, 2018, the net pension liability of the Plan is measured as of June 30, 2017 (the measurement date). The total pension liability for the Plan's miscellaneous risk pool used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 (the valuation date), rolled forward to June 30, 2017, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's change in proportionate share of the net pension liability for the Plan's miscellaneous risk pool as of the measurement date June 30, 2017, was as follows:

	Miscellaneous
Proportion - June 30, 2016	0.019267%
Proportion - June 30, 2017	0.010590%
Decrease in proportionate share	-0.008677%

Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the District recognized pension expense of \$200,705. As June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 636,429	-
Differences between actual and expected experience	-	(40,034)
Change in assumptions	344,310	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	(189,667)
Net difference between projected and actual earnings on plan investments	84,296	-
Total	\$ 1,065,035	(229,701)

As of June 30, 2018, the District reported \$636,429 as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2019.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(6) Defined Benefit Pension Plan, continued

Deferred Outflows/Inflows of Resources Related to Pensions, continued

As of June 30, 2018, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	<u>Net Deferred Outflow/ (Inflow)</u>
2019	\$ (32,310)
2020	183,198
2021	98,064
2022	(50,047)

Actuarial Assumptions

The total pension liabilities in the June 30, 2016, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumption	
Discount rate	7.15%
Inflation	2.75%
Salary increase	Varies by Entry Age and Service
Mortality table*	Derived using CalPERS membership data
Period upon which actuarial experience survey assumptions were based	1997 - 2011
Post-retirement benefit increase	Contract COLA up to 2.75% until PPPA floor on purchasing power applies; 2.75% thereafter.

* The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 experience study report (based on CalPERS demographic data from 1997 to 2011) available online.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(6) Defined Benefit Pension Plan, continued

Discount Rate

The discount rates used in the actuarial valuations to measure the total pension liability as of June 30, 2017, reflect the long-term expected rates of return. The discount rates used to measure the total pension liability as of June 30, 2017, was 7.15%. These differ from the discount rates used as of June 30, 2016, which was 7.65%, due to a decrease in the long-term expected rate of return. The financial reporting discount rates are not adjusted for administrative expenses and are consistent with the funding discount rates at the end of the three-year funding discount rate phase-in period.

To determine whether the municipal bond rate should be used in the calculation of the discount rate, the amortization and smoothing periods adopted by CalPERS in 2013 were used. The crossover test was performed for a miscellaneous agent plan and a safety agent plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments.

Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for the PERF C.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ years) using a building-block approach. Using the expected nominal returns for both short term and long term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

As of June 30, 2018, the target allocation and the long-term expected real rate of return by asset class were as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Real Return Years 1 -10</u>	<u>Real Return Years 11+</u>
Global Equity	47.00 %	4.90 %	0.54 %
Global Fixed Income	19.00	0.80	2.27
Inflation Sensitive	6.00	0.60	1.39
Private Equity	12.00	6.60	6.63
Real Asset	11.00	2.80	5.21
Infrastructure and Forestland	3.00	3.90	5.36
Liquidity	2.00	(0.40)	(0.90)
Total	<u>100.00 %</u>		

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(6) Defined Benefit Pension Plan, continued

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate.

As of June 30, 2018, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

Description	Discount Rate -1% @ 6.15%	Current Discount Rate @ 7.15%	Discount Rate +1% @ 8.15%
Net pension liability	\$ 2,278,823	1,050,195	32,623

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

(7) Restatement of Net Position

Net OPEB Liability – GASB 75 Implementation

In fiscal year 2018, the District implemented GASB Statement No. 75, to recognize its net OPEB liability. Following the implementation, the District recognized net OPEB liability and recorded a prior period adjustment of \$651,558 at June 30, 2017. The District recorded a prior period adjustment to reclassify prior year's employer OPEB contribution from expense to deferred outflows of resources of \$179,113 and recognize a net OPEB liability of \$830,671 at June 30, 2017.

Previously recorded net position of \$6,846,341 has been restated to \$6,194,783 as of June 30, 2017. In addition, the effect of the implementation of GASB 75 is recorded as an adjustment to the beginning net position at June 30, 2018. The effect of the above changes is summarized as follows:

	Net Position
Net position at June 30, 2017	\$ 6,846,341
Effect of adjustment to record net other post-employment benefit obligation (OPEB)	(830,671)
Effect of adjustment to record deferred OPEB outflows	179,113
Net position at July 1, 2017, as restated	\$ 6,194,783

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(8) Unrestricted Net Position

Unrestricted net position is categorized as follows:

Description	2018
Non-spendable net position:	
Prepaid expenses and deposits	\$ 33,838
Spendable net position are designated as follows:	
Unrestricted	5,878,787
Total unrestricted net position	\$ 5,912,625

(9) Fund Balance

Fund balances are presented in the following categories: non-spendable, restricted, committed, assigned, and unassigned (See Note 1.D.14 for a description of these categories). A detailed schedule of fund balances and their funding composition at June 30, 2018, is as follows:

Description	Amount
Nonspendable:	
Prepaid expenses and deposits	\$ 33,838
Assigned:	
Compensated absences	53,093
Unassigned:	
Operations	6,660,456
Total fund balance	\$ 6,747,387

(10) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District, as a member of the Special District Risk Management Authority (SDRMA), has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources. SDRMA's purpose is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2018, the District participated in the liability and property programs of the SDRMA as follows:

- General and auto liability, public officials and employees' errors and omissions, employee benefits and employment practices liability: Total risk financing limits of \$2.5 million, combined single limit at \$2.5 million per occurrence, subject to the following deductibles – \$500/\$1,000 per occurrence for third party general liability property damage – 50% co-insurance of cost expended by SDRMA, in excess of \$10,000 up to \$50,000, per occurrence, for employment related claims. However, 100% of the obligation will be waived if certain criteria are met.
- Uninsured / Underinsured Motorists coverage up to \$1,000,000 per accident.
- Employee dishonesty coverage up to \$1,000,000 per loss includes public employee dishonesty, forgery or alteration, and theft, disappearance, and destruction coverages.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(10) Risk Management, continued

- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis, to a combined total of \$1 billion per occurrence, subject to a \$2,000 deductible per occurrence.
- Boiler and machinery coverage for the replacement cost up to \$100 million per occurrence, subject to a \$1,000 deductible.
- Public officials personal liability up to \$500,000 each occurrence, with an annual aggregate of \$500,000 per each elected/appointed official to which this coverage applies, subject to the terms, conditions, and exclusions as provided in the Memorandum of Coverage, subject to a deductible of \$500 per claim.
- Workers compensation insurance up to the California statutory limits for all work related injuries/illnesses covered by California Law. Employer's liability per occurrence for workers compensation coverage is \$5 million, subject to the terms, conditions, and exclusions as provided in the Memorandum of Coverage.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2018, 2017, and 2016. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There was no IBNR claims payable as of June 30, 2018.

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

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

Governmental Accounting Standards Board Statement No. 83

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations*. This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 88

In April 2018, the GASB issued Statement No. 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

Buena Park Library District
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

Governmental Accounting Standards Board Statement No. 88, continued

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

(12) Contingencies

Grant Awards

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

Litigation

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

(13) Subsequent Events

Events occurring after June 30, 2018, have been evaluated for possible adjustment to the financial statements or disclosure as of November 8, 2018, which is the date the financial statements were available to be issued. The District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

Required Supplementary Information

Buena Park Library District
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2018

Budgets and Budgetary Data

	Adopted Original Budget	Board Approved Changes	Revised Budget	Actual Budgetary Basis	Variance Positive (Negative)
Expenditures/Expenses:					
Library operations:					
Salaries and benefits	\$ 2,011,100	-	2,011,100	2,413,175	(402,075)
Materials and services	637,700	-	637,700	529,094	108,606
Facilities	92,000	-	92,000	62,314	29,686
Capital outlay	18,000	-	18,000	116,029	(98,029)
Total expenditures/expenses	2,758,800	-	2,758,800	3,120,612	(361,812)
Program revenues:					
Charges for services	380,000	-	380,000	411,719	31,719
Operating grants and contributions	30,000	-	30,000	30,142	142
Total program revenues	410,000	-	410,000	441,861	31,861
General revenues:					
Property taxes	2,306,211	-	2,306,211	3,165,363	859,152
Interest earnings	35,600	-	35,600	55,815	20,215
Other	7,000	-	7,000	3,092	(3,908)
Total general revenues	2,348,811	-	2,348,811	3,224,270	875,459
Total revenues	2,758,811	-	2,758,811	3,666,131	907,320
Net change in fund balance	11	-	11	545,519	545,508
Fund balance – beginning of period	6,201,868		6,201,868	6,201,868	
Fund balance – end of period	\$ 6,201,879		6,201,879	6,747,387	

Notes to Required Supplementary Information

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District's Library Director prepares and submits an operating budget to the Board of Trustees for the General Fund no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Trustees must approve all supplemental appropriations to the budget and transfers between major accounts.

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

Buena Park Library District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2018
Last Ten Years*

Defined Benefit Pension Plan

<u>Description</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.01059%	0.02103%	0.01927%	0.01968%
District's proportionate share of the net pension liability	\$ 1,050,195	1,819,323	1,322,493	1,224,525
District's covered-employee payroll	1,034,050	1,034,505	974,691	692,201
District's proportionate Share of the net pension liability as percentage of covered-employee payroll	101.56%	175.86%	135.68%	176.90%
Plan's fiduciary net position as a percentage of the total pension liability	73.31%	74.06%	78.40%	83.46%

Notes to the Schedule of the District's Proportionate Share of Net Pension Liability

Changes in Benefit Terms – The District can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for the District's plan can be found in the plan's annual valuation report.

Changes of Assumptions – In fiscal year 2018, the financial reporting discount rate was lowered from 7.65% to 7.15%. In December 2016, the CalPERS Board approved lowering the funding discount rate used from 7.50% to 7.00%, which is to be phased-in over a three-year period (7.50% to 7.375%, 7.375% to 7.25%, and 7.25% to 7.00%) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Buena Park Library District
Schedules of Pension Plan Contributions
As of June 30, 2018
Last Ten Years*

Defined Benefit Pension Plan

<u>Description</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 149,170	136,933	117,949	55,070
Contributions in relation to the actuarially determined contributions	<u>(1,149,170)</u>	<u>(136,933)</u>	<u>(76,651)</u>	<u>(55,070)</u>
Contribution deficiency (excess)	<u>\$ (1,000,000)</u>	<u>-</u>	<u>41,298</u>	<u>-</u>
Covered-employee payroll	<u>\$ 1,053,131</u>	<u>1,034,050</u>	<u>974,691</u>	<u>692,201</u>
Contributions as a percentage of covered-employee payroll	109.12%	13.24%	7.86%	7.96%

Notes to the Schedule of Pension Plan Contributions

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Buena Park Library District
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2018
Last Ten Years*

Defined Benefit OPEB Plan

	2018
Total OPEB liability	
Service cost	\$ 73,638
Interest	126,778
Benefit payments	(79,113)
Net change in total OPEB liability	121,303
Total OPEB liability – beginning	1,777,036
Total OPEB liability – ending	\$ 1,898,339
Plan fiduciary net position	
Contributions – employer	\$ 179,113
Net investment income	108,597
Benefit payments	(79,113)
Administrative expense	(548)
Net change in plan fiduciary net position	208,049
Total fiduciary net position – beginning	978,154
Total fiduciary net position – ending	\$ 1,186,203
District's net OPEB liability – ending	\$ 712,136
Covered-employee payroll	1,009,425
District's net OPEB liability as a percentage of covered-employee payroll	70.55%

Notes to Schedule

Benefit changes – None noted.

Changes of assumptions – None noted.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

**Buena Park Library District
Schedule of District Contributions
For the Year Ended June 30, 2018
Last Ten Years***

Defined Benefit OPEB Plan

	2018
Actuarially determined contribution	\$ 152,767
Contributions in relation to the actuarially determined contribution	174,644
Contribution deficiency(excess)	\$ (21,877)
Covered-employee payroll	\$ 1,045,846
Contributions as a percentage of covered-employee payroll	16.70%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	Closed 20 year period
Asset valuation method	Market value of assets
Inflation	2.75%
Healthcare cost trend rates	Medical plan premiums and claims costs by age are assumed to increase once each year. The increase over the prior year's levels are assumed to be effective as follows: 7.50% for 2019, decreasing 0.50% per year to an ultimate a rate of 5.00% for 2024 and later year
Salary increases	3.25% per year, used only to allocate the cost of benefits between service years
Assumed wage inflation	3.0% per year; used to determine amortization payments if developed on a level percent of pay basis
Investment rate of return	7.0% as of June 30, 2016 and June 30, 2017, net of plan investment expenses and including inflation
Retirement age	50 for classic employees and 52 for PEPRA employees
Mortality	Mortality rates were based on the MacLeod Watts Scale 2017 applied generationally

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

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Report on Internal Controls and Compliance



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Independent Auditor's Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Buena Park Library District (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated November 8, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

**Independent Auditor's Report on Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Auditing Standards*, continued**

Purpose of this Report

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

A handwritten signature in black ink that reads "Fedak & Brown LLP". The signature is written in a cursive, slightly slanted style.

Fedak & Brown LLP
Cypress, California
November 8, 2018