



**BUENA PARK LIBRARY DISTRICT
ANNUAL FINANCIAL AUDIT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**BUENA PARK LIBRARY DISTRICT
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JUNE 30, 2020**

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**BUENA PARK LIBRARY DISTRICT
BOARD OF TRUSTEES
JUNE 30, 2020**

<u>Name</u>	<u>Title</u>	<u>Elected/Appointed</u>	<u>Current Term</u>
Patricia Ganer	President	Elected	12/16 - 12/20
Dennis Salts	President Pro-Tem	Elected	12/16 - 12/20
Richard Rams	Secretary	Elected	12/18 - 12/22
Irene Castaneda	Trustee	Elected	12/16 - 12/20
Al Salehi	Trustee	Elected	12/18 - 12/22

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 the major fund of Buena Park Library District (the "District") as of and for the year ended June 30, 2020, 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 the major fund of the Buena Park Library District as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 7 and the required supplementary information on pages 40 through 45 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Harshwal & Company LLP

San Diego California
October 20, 2020

**BUENA PARK LIBRARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

As the management of the Buena Park Library District (the "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, 2020. 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 10%, or \$846,995 from \$8,451,220 to \$9,298,215, in 2020.
- The District's total revenues decreased by 2%, or \$98,774, from \$3,968,952 to \$3,870,178, in fiscal year 2020. Program revenues decreased by 40%, or \$202,385, from \$512,116 to \$309,731. General revenues increased by 3%, or \$103,611, from \$3,456,836 to \$3,560,447.
- The District's total expenses increased by 8%, or \$209,410, from \$2,761,906 to \$2,971,316, in fiscal year 2020.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's investments in resources (assets) and 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Governmental Fund(s) 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 17 - 38.

Government-wide Financial Analysis

Condensed Statements of Net Position

	<u>2020</u>	<u>2019</u>	<u>Amount Change</u>	<u>Percentage Change</u>
Assets and deferred outflows of resources				
Assets (Other than capital assets)	\$ 7,319,969	\$ 6,619,085	\$ 700,884	11 %
Capital assets, net	1,696,374	1,846,760	(150,386)	(8)
Deferred outflows of resources	<u>900,515</u>	<u>1,538,888</u>	<u>(638,373)</u>	<u>(41)</u>
Total assets and deferred outflows of resources	<u>9,916,858</u>	<u>10,004,733</u>	<u>(87,875)</u>	<u>(1)</u>
Liabilities and deferred inflows of resources				
Liabilities	295,368	1,524,118	(1,228,750)	(81)
Deferred inflows of resources	<u>323,275</u>	<u>29,395</u>	<u>293,880</u>	<u>1,000</u>
Total liabilities and deferred inflows of resources	<u>618,643</u>	<u>1,553,513</u>	<u>(934,870)</u>	<u>(60)</u>
Net position				
Net investment in capital assets	1,696,374	1,846,760	(150,386)	(8)
Unrestricted	<u>7,601,841</u>	<u>6,604,460</u>	<u>997,381</u>	<u>15</u>
Total net position	<u>\$ 9,298,215</u>	<u>\$ 8,451,220</u>	<u>\$ 846,995</u>	<u>10 %</u>

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 \$9,298,215 as of June 30, 2020.

**BUENA PARK LIBRARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

A portion of the District's net position (18%) 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 the fiscal year 2020, the District shows a positive balance in its unrestricted net position of \$7,601,841 that may be utilized in future years.

Condensed Statements of Activities

<u>Governmental Activities:</u>	<u>2020</u>	<u>2019</u>	<u>Amount Change</u>	<u>Percentage Change</u>
Expenses:				
Library operations	\$ 2,971,316	\$ 2,761,906	\$ 209,410	8 %
Program revenues	309,731	512,116	(202,385)	(40)
General revenues	3,560,447	3,456,836	103,611	3
Total revenues	<u>3,870,178</u>	<u>3,968,952</u>	<u>(98,774)</u>	<u>(2)</u>
Change in net position	<u>898,862</u>	<u>1,207,046</u>	<u>(308,184)</u>	<u>(26)</u>
Net position at beginning of year	8,451,220	7,244,174	1,207,046	17
Net position, restatement	<u>(51,867)</u>	-	<u>(51,867)</u>	<u>(100)</u>
Net position at beginning of year, restated	<u>8,399,353</u>	<u>7,244,174</u>	<u>1,155,179</u>	<u>16</u>
Net position, end of year	<u>\$ 9,298,215</u>	<u>\$ 8,451,220</u>	<u>\$ 846,995</u>	<u>10 %</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 10%, or \$846,995, from \$8,451,220 to \$9,298,215 in fiscal year 2020.

The District's total revenues decreased by 2%, or \$98,774, from \$3,968,952 to \$3,870,178, in fiscal year 2020, primarily due to decreases in charges for services of \$174,253, and operating grants and contributions of \$28,132.

The District's total expenses increased by 8%, or \$209,410, from \$2,761,906 to \$2,971,316, in fiscal year 2020, primarily due to increases in salaries and benefits of \$366,189, and depreciation expense of \$21,539.

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, 2020, the District's General Fund reported a fund balance of \$7,116,716. An amount of \$7,070,718 constitutes the District's *unassigned fund balance*, which is available for spending or designation at the District's discretion. See "Note 8" for further discussion.

**BUENA PARK LIBRARY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

General Fund Budgetary Highlights

In the fiscal year 2020, actual expenditures at year end were \$35,631 more than budgeted. The variance is primarily due to the increases in salaries and benefits expenses and capital outlay expenses. Actual revenues were \$854,796 more than budgeted. The increase in revenues is due to RDA residual-dissolution that is not budgeted because it is one-time money that one day will cease. The General Fund budget to actual comparison schedule can be found on page 40.

Capital Asset Administration

At the end of fiscal year 2020, the District's investment in capital assets amounted to \$1,696,374 (net of accumulated depreciation). This investment in capital assets includes land, building, building improvements, furniture, fixtures and equipment. See "Note 3" for further discussion.

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

Government-wide Financial Statements

BUENA PARK LIBRARY DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

	2020
Assets	
Cash and cash equivalents (Note 2)	\$ 7,127,533
Accrued interest receivable	15,205
Property taxes receivable	41,431
Prepaid expenses and deposits	45,998
Capital assets, net (Note 3)	1,696,374
Net other post-employment benefits asset (Note 5)	89,802
Total assets	9,016,343
Deferred outflows of resources	
Deferred pension outflows (Note 6)	797,675
Deferred OPEB outflows (Note 5)	102,840
Total deferred outflows of resources	900,515
Total assets and deferred outflows of resources	9,916,858
Liabilities	
Accounts payable	61,979
Accrued payroll and related expenses	51,472
Compensated absences (Note 4)	57,020
Net pension liability (Note 6)	124,897
Total liabilities	295,368
Deferred inflows of resources	
Deferred pension inflows (Note 6)	142,021
Deferred OPEB inflows (Note 5)	181,254
Total deferred inflows of resources	323,275
Net position	
Net investment in capital assets	1,696,374
Unrestricted (Note 7)	7,601,841
Total net position	9,298,215
Total liabilities, deferred inflows of resources and net position	\$ 9,916,858

The accompanying notes are an integral part of these financial statements

**BUENA PARK LIBRARY DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	2020
<i>GOVERNMENTAL ACTIVITIES:</i>	
<i>FUNCTION/PROGRAM EXPENSES</i>	
Library operations:	
Salaries and benefits	\$ 2,249,594
Materials and services	523,612
Facilities	47,695
Depreciation	150,415
Total program expenses	2,971,316
<i>PROGRAM REVENUES</i>	
Charges for services	289,866
Operating grants and contributions	19,865
Total program revenues	309,731
Net program surplus/(deficit)	(2,661,585)
<i>GENERAL REVENUES</i>	
Property taxes	3,470,876
Interest earnings	87,365
Other	2,206
Total general revenues	3,560,447
<i>CHANGE IN NET POSITION</i>	898,862
<i>NET POSITION - BEGINNING</i>	8,451,220
<i>NET POSITION - RESTATEMENT</i>	(51,867)
<i>NET POSITION - BEGINNING, RESTATED (NOTE 11)</i>	8,399,353
<i>NET POSITION - ENDING</i>	\$ 9,298,215

The accompanying notes are an integral part of these financial statements

Fund Financial Statements

**BUENA PARK LIBRARY DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2020**

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 7,127,533
Accrued interest receivable	15,205
Property taxes receivable	41,431
Prepaid expenses and deposits	<u>45,998</u>
Total assets	<u>7,230,167</u>
Liabilities	
Accounts payable	61,979
Accrued payroll and related expenses	<u>51,472</u>
Total liabilities	<u>113,451</u>
Fund balance (Note 8)	
Nonspendable	45,998
Unassigned	<u>7,070,718</u>
Total fund balance	<u>7,116,716</u>
Total liabilities and fund balance	<u>\$ 7,230,167</u>

The accompanying notes are an integral part of these financial statements

**BUENA PARK LIBRARY DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
TYPE FUND TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Reconciliation:

Fund balance of governmental fund	\$ 7,116,716
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 fund balance sheet.	
Capital assets, net	1,696,374
Net OPEB asset	89,802
Deferred pension outflows	797,675
Deferred OPEB outflows	102,840
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. Longterm liabilities at year-end consist of:	
Compensated absences	(57,020)
Net pension liability	(124,897)
Deferred pension inflows	(142,021)
Deferred OPEB inflows	<u>(181,254)</u>
Net position of governmental activities	<u><u>\$ 9,298,215</u></u>

The accompanying notes are an integral part of these financial statements

**BUENA PARK LIBRARY DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>General Fund</u>
<i>REVENUES</i>	
Charges for services	\$ 289,866
Operating grants and contributions	19,865
Property taxes	3,470,876
Interest earnings	87,365
Other	<u>2,206</u>
Total revenues	<u>3,870,178</u>
<i>EXPENDITURES</i>	
Library operations:	
Salaries and benefits	2,427,798
Materials and services	523,612
Facilities	47,695
Capital outlay	<u>51,896</u>
Total expenditures	<u>3,051,001</u>
<i>NET CHANGE IN FUND BALANCE</i>	819,177
<i>FUND BALANCE - BEGINNING</i>	<u>6,297,539</u>
<i>FUND BALANCE - ENDING</i>	<u><u>\$ 7,116,716</u></u>

The accompanying notes are an integral part of these 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, 2020

Reconciliation:

Net changes in fund balance of governmental fund	\$ 819,177
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.	
(Increase)/decrease in compensated absences	(16,340)
Net pension expense	186,008
Net OPEB expense	8,536
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.	
Capital outlay	51,896
Depreciation expense	<u>(150,415)</u>
Changes in net position of governmental activities	<u><u>\$ 898,862</u></u>

The accompanying notes are an integral part of these financial statements

BUENA PARK LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note 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 Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the District are to be reported in three categories, if applicable: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items properly not included among program revenues are reported instead as general revenues.

BUENA PARK LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 - Reporting Entity and Summary of Significant Accounting Policies - (Cont'd)

B. Basis of Accounting and Measurement Focus - (Cont'd)

Governmental Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the differences in net position in the statement 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, 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 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.

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.

BUENA PARK LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 - Reporting Entity and Summary of Significant Accounting Policies - (Cont'd)

C. Financial Reporting - (Cont'd)

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.

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.

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.

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.

BUENA PARK LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 - Reporting Entity and Summary of Significant Accounting Policies - (Cont'd)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position - (Cont'd)

4. Fair Value Measurement and Application - (Cont'd)

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

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 acquisition 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.

BUENA PARK LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 - Reporting Entity and Summary of Significant Accounting Policies - (Cont'd)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position - (Cont'd)

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.

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, 2018
Measurement Date:	June 30, 2019
Measurement Period:	July 1, 2018 to June 30, 2019

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.

BUENA PARK LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1 - Reporting Entity and Summary of Significant Accounting Policies - (Cont'd)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position - (Cont'd)

13. Net Position - (Cont'd)

- 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.
- 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.

BUENA PARK LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 - Cash and Cash Equivalents

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

	2020
Deposits held with Orange County Investment Pool (OCIP)	\$ 4,501,625
Deposits held with financial institutions	2,625,808
Petty cash	100
Total	\$ 7,127,533

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

	2020
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.

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, 2020, 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>.

BUENA PARK LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note 2 - Cash and Cash Equivalents - (Cont'd)

Cash with Orange County Investment Pool - (Cont'd)

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, 2020, 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
JUNE 30, 2020

Note 3 - Capital Assets

Changes in capital assets for the year were as follows:

	Balance 2019	Adjustments 2019	Additions	Deletions	Balance 2020
Non-depreciable assets:					
Land	\$ 186,335	\$ -	\$ -	\$ -	\$ 186,335
Construction in progress	45,664	(45,664)	-	-	-
Total non-depreciable assets	<u>231,999</u>	<u>(45,664)</u>	<u>-</u>	<u>-</u>	<u>186,335</u>
Depreciable assets:					
Building	891,592	-	-	-	891,592
Building improvements	2,494,678	35,716	-	-	2,530,394
Equipment	448,970	12,057	51,896	(94,468)	418,455
Furniture and fixtures	249,070	-	-	-	249,070
Total depreciable assets	<u>4,084,310</u>	<u>47,773</u>	<u>51,896</u>	<u>(94,468)</u>	<u>4,089,511</u>
Accumulated depreciation:					
Building	(891,592)	-	-	-	(891,592)
Building improvements	(1,094,940)	(40,782)	(89,527)	-	(1,225,249)
Equipment	(370,960)	(9,399)	(30,279)	94,468	(316,170)
Furniture and fixtures	(112,057)	(3,795)	(30,609)	-	(146,461)
Total accumulated depreciation	<u>(2,469,549)</u>	<u>(53,976)</u>	<u>(150,415)</u>	<u>94,468</u>	<u>(2,579,472)</u>
Total depreciable assets, net	<u>1,614,761</u>	<u>(6,203)</u>	<u>(98,519)</u>	<u>-</u>	<u>1,510,039</u>
Total capital assets, net	<u>\$ 1,846,760</u>	<u>\$ (51,867)</u>	<u>\$ (98,519)</u>	<u>\$ -</u>	<u>\$ 1,696,374</u>

Note 4 - Compensated Absences

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

Balance 2019	Additions	Deletions	Balance 2020
<u>\$ 40,680</u>	<u>\$ 61,911</u>	<u>\$ (45,571)</u>	<u>\$ 57,020</u>

**BUENA PARK LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 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, 2020, the following employees were covered by the benefit terms:

	2020
Inactive employees or beneficiaries currently receiving benefit payments	17
Inactive employees entitled to but not yet receiving benefit payments	1
Active employees	19
	37

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, 2020, the District's average contribution rate was 6.86% of coverage-employee payroll. Employees are not required to contribute to the Plan.

**BUENA PARK LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 5 - Other Post-Employment Benefits - (Cont'd)

Actuarial Assumptions

The District's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019.

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

Valuation date	June 30, 2019
GASB 75 Measurement Date	Last day of prior fiscal year (June 30, 2019)
Funding Method	Entry Age Normal Cost, level percent of pay
Asset Valuation Method	Market value of assets
Long Term Return on Assets	6.85% as of June 30, 2019 and June 30, 2018 net of plan investment expenses and including inflation
Discount Rates	6.85% as of June 30, 2019 and June 30, 2018
Participants Valued	Only current active employees and retired participants and covered dependents are valued. No future entrants are considered in this valuation.
Salary Increase	3.25% per year; since benefits do not depend on salary, this is used only to allocate the cost of benefits between service years
Assumed Wage inflation	3.0% per year; used to determine amortization payments for developing the Actuarially Determined Contributions
General Inflation Rate	2.75% per year

Demographic actuarial assumptions used in this valuation are based on the 2017 experience study of the California Public Employees Retirement System using data from 1997 to 2015, except for a different basis used to project future mortality improvements. Rates for selected age and service are shown below and on the following pages. The representative mortality rates were the published CalPERS rates, adjusted to back out 15 years of Scale MP 2016 to central year 2015, then projected as described below.

Mortality rates were based on the MacLeod Watts Scale 2018 applied generationally from 2015.

**BUENA PARK LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 5 - Other Post-Employment Benefits - (Cont'd)

Expected Long-term Return on Trust Assets

The expected long-term return on trust assets was derived from information published by CalPERS for CERBT Strategy 1. CalPERS determined its returns using a building-block method and best-estimate ranges of expected future real rates of return for each major asset class (expected returns, net of OPEB plan investment expense and inflation). The target allocation and best estimates of geometric real rates of return published by CalPERS for each major class are summarized in the following table:

CERBT Strategy 1		Years 1-10			Years 11+		
Major Asset Classification	Target Allocation	General Inflation Rate Assumption	1-10 Year Expected Real Rate of Return*	Compound Return Yrs 1-10	General Inflation Rate Assumption	11+ Year Expected Real Rate of Return*	Compound Return Years 11+
Global Equity	59.00 %	2.0 %	4.80 %	6.8 %	2.92 %	5.98 %	8.90 %
Fixed Income	25.00 %	2.0 %	1.10 %	3.1 %	2.92 %	2.62 %	5.54 %
Global Real Estate(REITs)	8.00 %	2.0 %	3.20 %	5.5 %	2.92 %	5.00 %	7.92 %
Treasury Inflation Protected Securities	5.00 %	2.0 %	0.25 %	2.3 %	2.92 %	1.46 %	4.38 %
Commodities	3.00 %	2.0 %	1.50 %	3.5 %	2.92 %	2.87 %	5.79 %
Volatility	11.83 %		weighted	5.85 %		weighted	8.07 %

*Real rates of return come from a geometric representation of returns that assume a general inflation rate of 2.00%.

Discount Rate

When the financing of OPEB liabilities is on a pay-as-you-go basis, GASB 75 requires that the discount rate used for valuing liabilities be based on the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). When a plan sponsor makes regular, sufficient contributions to a trust in order to prefund the OPEB liabilities, GASB 75 allows use of a rate up to the expected rate of return of the trust. Therefore, prefunding has an advantage of potentially being able to report overall lower liabilities due to future expected benefits being discounted at a higher rate.

BUENA PARK LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note 5 - Other Post-Employment Benefits - (Cont'd)

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 Fiscal Year Ending 6/30/2019 (Measurement Date 6/30/2018)	\$ 2,068,224	\$ 1,379,694	\$ 688,530
Changes During the Period:			
Service Cost	80,760	-	80,760
Interest Cost	143,940	-	143,940
Expected Investment Income	-	115,049	(115,049)
Employer Contributions	-	695,333	(695,333)
Admin Expenses	-	(307)	307
Benefit Payments	(95,333)	(95,333)	-
Assumption Changes	(50,182)	-	(50,182)
Plan Experience	(164,581)	-	(164,581)
Investment Experience	-	(21,806)	21,806
	(85,396)	692,936	(778,332)
Net Changes in Fiscal Year 2019-2020			
Balance at Fiscal Year Ending 6/30/2020 (Measurement Date 6/30/2019)	\$ 1,982,828	\$ 2,072,630	\$ (89,802)

Sensitivity of Liabilities to Changes in the Discount Rate and Healthcare Cost Trend Rate

The discount rate used for the fiscal year end 2020 is 6.85%. Healthcare Cost Trend Rate was assumed to start at 7.0% (increase effective January 1, 2020) and grade down to 5% for years 2024 and later. The impact of a 1% increase or decrease in these assumptions is shown in the chart below.

Change in Discount Rate	Sensitivity to		
	Current - 1% 5.85%	Current 6.85%	Current + 1% 7.85%
Total OPEB Liability	2,214,454	1,982,828	1,789,143
Increase (Decrease)	231,626	-	(193,685)
% Increase (Decrease)	11.7 %	- %	(9.8)%
Net OPEB Liability (Asset)	141,824	(89,802)	(283,487)
Increase (Decrease)	231,626	-	(193,685)
% Increase (Decrease)	257.9 %	- %	(215.7)%

**BUENA PARK LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 5 - Other Post-Employment Benefits - (Cont'd)

<u>Change in Healthcare Cost Trend Rate</u>	<u>Current Trend</u>	<u>Current Trend</u>	<u>Current Trend</u>
	- 1%	Trend	+ 1%
Total OPEB Liability	1,773,028	1,982,828	2,236,254
Increase (Decrease)	(209,800)	-	253,426
% Increase (Decrease)	(10.6)%	- %	12.8 %
Net OPEB Liability (Asset)	(299,602)	(89,802)	163,624
Increase (Decrease)	(209,800)	-	253,426
% Increase (Decrease)	(233.6)%	- %	282.2 %

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, 2020, the District recognized OPEB expense of \$76,321. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred inflows of Resources</u>
Changes of assumptions	\$ 17,983	\$ 41,705
Differences Between Expected and Actual Experience	-	136,780
Net Difference Between Projected and Actual Earnings on Investments	-	2,769
Deferred Contributions	<u>84,857</u>	<u>-</u>
Total	<u>\$ 102,840</u>	<u>181,254</u>

The District will recognize the Deferred Contributions in the next fiscal year. In addition, future recognition of these deferred resources is shown below:

<u>For the Fiscal Year Ending June 30</u>	<u>Recognized Net Deferred Outflows/(Inflows) of Resources</u>
2021	\$ (33,637)
2022	\$ (33,637)
2023	\$ (30,708)
2024	\$ (31,916)
2025	\$ (33,373)

**BUENA PARK LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 5 - Other Post-Employment Benefits - (Cont'd)

Payable to the OPEB Plan

At June 30, 2020, the District had no outstanding amount of contributions to the CERBT required for the year ended June 30, 2020.

Note 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 Q Street, Sacramento, CA 95811.

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.

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, 2020, are summarized as follows:

	<u>Classic</u>	<u>New Classic</u>	<u>PEPRA</u>
	Prior to Jan 1, 2011	On or after Jan 1, 2011 Dec 31, 2012	After Jan 1, 2013
Hire date			
Benefit formula	2.0% @ 55	2.0% @ 60	2% @ 62
Benefit vesting schedule		5 years service	
Benefit payments		monthly for life	
Retirement age	50 - 55	55 - 60	57 - 62
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%	6.75%
Required employer contribution rates	9.680%	8.81%	6.99%

**BUENA PARK LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 6 - Defined Benefit Pension Plan - (Cont'd)

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, 2020, the contribution recognized as part of pension expense for the Plan was as follows:

	<u>Miscellaneous</u>
Contribution - employer	\$ <u>469,786</u>

Net Pension Liability

As of June 30, 2020, 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>124,897</u>

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, 2020, the net pension liability of the Plan is measured as of June 30, 2019 (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, 2018 (the valuation date), rolled forward to June 30, 2019, 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, 2019, was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2019	0.00122 %
Proportion - June 30, 2018	<u>0.00491 %</u>
Increase/(Decrease) in proportionate share	<u>(0.00369)%</u>

**BUENA PARK LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 6 - Defined Benefit Pension Plan - (Cont'd)

Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2020, the District recognized pension expense of \$186,008. As June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 469,786	\$ -
Differences between actual and expected experience	194,413	15,063
Change in assumptions	133,476	47,316
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	-	30,704
Net difference between projected and actual earnings on plan investments	<u>-</u>	<u>48,938</u>
Total	<u>\$ 797,675</u>	<u>\$ 142,021</u>

As of June 30, 2020, the District reported \$469,786 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, 2021.

As of June 30, 2020, 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 Outflows/(Inflows)</u>
2021	\$ 197,352
2022	(11,544)
2023	(9,829)
2024	<u>9,889</u>
Total	<u>\$ 185,868</u>

**BUENA PARK LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 6 - Defined Benefit Pension Plan - (Cont'd)

Actuarial Methods and Assumptions

The collective total pension liability for the June 30, 2019 measurement period was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019. The collective total pension liability was based on the following assumptions:

Investment rate of return	7.15%
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Mortality rate table ¹	Derived using CalPERS' Membership Data for all Funds Contract COLA up to 2.50% until Purchasing Power
Post-retirement benefit increase	Protection Allowance Floor on Purchasing Power applies

¹ The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Long-Term Expected Rate of Return

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 expected real rates of return by asset class are as followed:

<u>Asset class¹</u>	<u>Assumed Asset Allocation</u>	<u>Real Return Years 1 - 10²</u>	<u>Real Return Years 11 +³</u>
Global equity	50.00 %	4.80 %	5.98 %
Fixed income	28.00	1.00	2.62
Inflation assets	-	0.77	1.81
Private equity	8.00	6.30	7.23
Real assets	13.00	3.75	4.93
Liquidity	1.00	-	(0.92)

BUENA PARK LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note 6 - Defined Benefit Pension Plan - (Cont'd)

Long-Term Expected Rate of Return - (Cont'd)

¹ In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

² An expected inflation of 2.00% used for this period.

³ An expected inflation of 2.92% used for this period.

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the collective net pension liability calculated using a discount rate of 7.15%, as well as what the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate (dollars expressed in thousands):

Description	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net pension liability (asset)	\$ <u>200,342</u>	\$ <u>124,897</u>	\$ <u>62,623</u>

Pension Plan Fiduciary Net Position

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

Note 7 - Unrestricted Net Position

Unrestricted net position is categorized as follows:

Description	2020
Non-spendable net position:	
Prepaid expenses and deposits	\$ 45,998
Spendable net position is designated as follows:	
Unrestricted	<u>7,555,843</u>
Total unrestricted net position	<u>\$ 7,601,841</u>

**BUENA PARK LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 8 - Fund Balance

Fund balance is 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 balance and their funding composition at June 30, 2020, are as follows:

Description	Amount
Nonspendable:	
Prepaid expenses and deposits	\$ 45,998
Unassigned:	
Operations	<u>7,070,718</u>
Total fund balance	<u>\$ 7,116,716</u>

Note 9 - Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District, as a member of the Special District Risk Management Authority (SDRMA), has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources. SDRMA's purpose is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2020, 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.
- Auto bodily injury and auto property damage coverage up to \$2,500,000 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.
- 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.

**BUENA PARK LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

Note 9 - Risk Management - (Cont'd)

- 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, 2020, 2019, 2018, and 2017. 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, 2020.

Note 10 - 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.

Note 11 - Prior Period Adjustments

During the fiscal year ended June 30, 2020, the District found that the capital assets and related depreciation balances were not adequately recorded on its previous financial statements. As a result, following prior period adjustments have been made in the District's financial statements to record the proper balance of capital assets and related depreciation and the net position accordingly:

Beginning net position as previously reported at June 30, 2019	\$ 8,451,220
Prior period adjustments:	
Non-depreciable assets	(45,664)
Depreciable assets	47,773
Accumulated depreciation	<u>(53,976)</u>
Total prior period adjustments	<u>(51,867)</u>
Net position as restated, July 1, 2019	<u><u>\$ 8,399,353</u></u>

BUENA PARK LIBRARY DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

Note 12 - Evaluation of Subsequent Events

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. As the COVID-19 pandemic is complex and rapidly evolving. At this point, we cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on our business, results of operations, financial position and cash flows.

Required Supplementary Information

**BUENA PARK LIBRARY DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Budgets and Budgetary Data

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive/ (Negative)</u>
<i>REVENUES</i>				
Charges for services	\$ 440,000	\$ 440,000	\$ 289,866	\$ (150,134)
Operating grants and contributions	25,000	25,000	19,865	(5,135)
Property taxes	2,485,682	2,485,682	3,470,876	985,194
Interest earnings	60,700	60,700	87,365	26,665
Other	<u>4,000</u>	<u>4,000</u>	<u>2,206</u>	<u>(1,794)</u>
Total revenues	<u>3,015,382</u>	<u>3,015,382</u>	<u>3,870,178</u>	<u>854,796</u>
<i>EXPENDITURES</i>				
Library operations:				
Salaries and benefits	2,208,907	2,208,907	2,427,798	(218,891)
Materials and services	721,463	721,463	523,612	197,851
Facilities	85,000	85,000	47,695	37,305
Capital outlay	<u>-</u>	<u>-</u>	<u>51,896</u>	<u>(51,896)</u>
Total expenditures	<u>3,015,370</u>	<u>3,015,370</u>	<u>3,051,001</u>	<u>(35,631)</u>
<i>NET CHANGE IN FUND BALANCE</i>	12	12	819,177	819,165
<i>FUND BALANCE - BEGINNING</i>	<u>6,747,690</u>	<u>6,747,690</u>	<u>6,297,539</u>	<u>(450,151)</u>
<i>FUND BALANCE - ENDING</i>	<u>\$ 6,747,702</u>	<u>\$ 6,747,702</u>	<u>\$ 7,116,716</u>	<u>\$ 369,014</u>

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
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2020
LAST TEN YEARS***

Defined Benefit Pension Plan

Description	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.00122 %	0.00491 %	0.01059 %	0.02103 %	0.01927 %	0.01968 %
District's proportionate share of the net pension liability	\$ 124,897	\$ 473,362	\$ 1,050,195	\$ 1,819,323	\$ 1,322,493	\$ 1,224,525
District's covered-employee payroll	\$ 1,127,895	\$ 1,074,595	\$ 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	11.07 %	44.05 %	101.56 %	175.86 %	135.68 %	176.90 %
Plan's fiduciary net position as a percentage of the total pension liability	77.73 %	75.26 %	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

Public agencies 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 a specific plan can be found in the plan's annual valuation report.

Change of Assumptions and Methods

CalPERS has implemented a new actuarial valuation software system for the June 30, 2018 valuation. This new system has refined and improved calculation methodology.

In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%.

The assumptions for individual salary increases and overall payroll growth are reduced from 3.00 % to 2.75%. These changes will be implemented in two steps commencing in the June 30, 2017 funding valuation. However, for financial reporting purposes, these assumption changes are fully reflected in the results for fiscal year 2018.

See Independent Auditor's Report

BUENA PARK LIBRARY DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, 2020
LAST TEN YEARS*

Notes to the Schedule of the District's Proportionate Share of Net Pension Liability - (Cont'd)

In fiscal year 2017, the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF C 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.

In fiscal year 2015, the financial reporting discount rate was increased from 7.50% to 7.65% resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50% during this period, and remained adjusted for administrative expenses.

* 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'S PENSION PLAN CONTRIBUTIONS
AS OF JUNE 30, 2020
LAST TEN YEARS***

Defined Benefit Pension Plan

Description	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 469,786	\$ 136,429	\$ 149,170	\$ 136,933	\$ 117,949	\$ 55,070
Contributions in relation to the actuarially determined contributions	<u>(469,786)</u>	<u>(636,429)</u>	<u>(1,149,170)</u>	<u>(136,933)</u>	<u>(76,651)</u>	<u>(55,070)</u>
Contribution deficiency (excess)	\$ -	\$ (500,000)	\$ (1,000,000)	\$ -	\$ 41,298	\$ -
Covered-employee payroll	<u>\$ 1,127,895</u>	<u>\$ 1,117,266</u>	<u>\$ 1,074,595</u>	<u>\$ 1,034,050</u>	<u>\$ 1,034,505</u>	<u>\$ 974,691</u>
Contributions as a percentage of covered-employee payroll	(41.65)%	56.96 %	106.94 %	13.24 %	7.41 %	5.65 %

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, 2020
LAST TEN YEARS*

Defined Benefit OPEB Plan

Fiscal Year Ending	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>Measurement Date</i>	<i>6/30/2019</i>	<i>6/30/2018</i>	<i>6/30/2017</i>
<i>Discount Rate on Measurement Date</i>	<i>6.85%</i>	<i>6.85%</i>	<i>7.00%</i>
Total OPEB liability			
Service cost	\$ 80,760	\$ 76,031	\$ 73,638
Interest	143,940	135,593	126,778
Differences between expected and actual experience	(164,581)	-	-
Changes of assumptions	(50,182)	32,905	-
Benefit payments	<u>(95,333)</u>	<u>(74,644)</u>	<u>(79,113)</u>
Net change in total OPEB liability	(85,396)	169,885	121,303
Total OPEB liability - beginning	<u>2,068,224</u>	<u>1,898,339</u>	<u>1,777,036</u>
Total OPEB liability - ending (a)	<u>\$ 1,982,828</u>	<u>\$ 2,068,224</u>	<u>\$ 1,898,339</u>
Plan fiduciary net position			
Contributions - employer	\$ 695,333	\$ 174,644	\$ 179,113
Net investment income	93,243	95,716	108,597
Benefit payments	(95,333)	(74,644)	(79,113)
Admin Expenses	(307)	(656)	(548)
Other expense	<u>-</u>	<u>(1,569)</u>	<u>-</u>
Net change in plan fiduciary net position	692,936	193,491	208,049
Plan fiduciary net position - beginning	<u>1,379,694</u>	<u>1,186,203</u>	<u>978,154</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,072,630</u>	<u>\$ 1,379,694</u>	<u>\$ 1,186,203</u>
Net OPEB liability (assets) - ending (a) - (b)	<u>\$ (89,802)</u>	<u>\$ 688,530</u>	<u>\$ 712,136</u>
Covered-employee payroll	\$ 1,197,730	\$ 1,045,846	\$ 1,009,425
Net OPEB liability as a % of covered-employee payroll	(7.50)%	65.83 %	70.55 %

Notes to Schedule

Benefit changes - None noted.

Changes of assumptions - None noted. Valuation date is June 30, 2019.

* 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 THE DISTRICT'S OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2020
LAST TEN YEARS***

Defined Benefit OPEB Plan

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 84,857	\$ 152,509	\$ 152,767
Contributions in relation to the actuarially determined contribution	<u>84,857</u>	<u>695,333</u>	<u>174,644</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (542,824)</u>	<u>\$ (21,877)</u>
Covered employee payroll	\$ 1,236,656	\$ 1,197,730	\$ 1,045,846
Contributions as a percentage of covered employee payroll	6.86 %	58.05 %	16.70 %

Notes to Schedule

Valuation Date	6/30/2019	7/1/2017	7/1/2017
Actuarial cost method	Entry Age Normal Cost	Entry Age Normal Cost	Entry Age Normal Cost
Amortization method	Level \$, Open 30 yr period	Level % of Pay, Closed 30 yr period	Level % of Pay, Closed 30 yr period
Amortization period	30 years	21 Years	22 Years
Asset valuation method	Market Value	Market Value	Market Value
Inflation	2.75%	2.75%	2.75%
Healthcare cost trend rates	6.50% in 2021, stepping down 0.5% each yr to 5.0% in 2024	7.50% in 2019, stepping down 0.5% each year to 5.0% in 2024	7.50% in 2019, stepping down 0.5% each year to 5.0% in 2024
Salary increases	3.25%	3.25%	3.25%
Investment rate of return	6.85%	6.85%	7.00%
Retirement age	From 50 to 75	From 50 to 75	From 50 to 75
Mortality	CalPERS 2017 Experience Study	CalPERS 2014 Experience Study	CalPERS 2014 Experience Study
Mortality Improvement	Projected with MW Scale 2018	Projected with MW Scale 2017	Projected with MW Scale 2017

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

See Independent Auditor's Report

Report on Internal Controls and Compliance

**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, 2020, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated October 20, 2020.

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) 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 financial statements. 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*.

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.

Harshwal & Company LLP

San Diego California
October 20, 2020