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Palos Verdes Library District

Rolling Hills Estates, California

Annual Financial Report

For the Year Ended June 30, 2016

Palos Verdes Library District

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Annual Financial Report
For the Year Ended June 30, 2016

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
of the Palos Verdes Library District
Rolling Hills Estates, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Palos Verdes Library District (District) as of and for the year ended June 30, 2016, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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 Palos Verdes Library District as of June 30, 2016, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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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 5 through 8, the Budgetary Comparison Schedule - General Fund, Budgetary Comparison Schedule - Debt Service Fund, Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, and the Schedule of the District's Contributions to the Pension Plan on pages 43 through 46, respectively 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 December 31, 2016, 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.

Santa Ana, California
December 31, 2016

REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

To the Board of Trustees
of the Palos Verdes Library District
Rolling Hills Estates, 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 Palos Verdes Library District (District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 31, 2016.

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*.

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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.

Santa Ana, California
December 31, 2016

As management of the Palos Verdes 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, 2016. 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 change in net position for the year ended June 30, 2016 was $1,321,388.
- The District's total revenues increased by 3.79% or $355,182, to $9,717,523 in fiscal year 2016 due primarily to a $374,581 increase in property tax revenues.
- The District's total expenses decreased 0.85% or $72,087, in fiscal year 2016 due primarily to an $(85,885) decrease in salaries and benefits expense from the $(277,397) credit in the GASB No. 68 pension expense for the year.

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 the obligations to creditors (liabilities). 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 revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's profitability 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 and liabilities 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 liabilities – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating.

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.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budgetary information and compliance.

Condensed Statements of Net Position

	June 30, 2016	June 30, 2015	Change
Assets:			
Current assets	$ 7,658,111	$ 6,945,081	$ 713,030
Capital assets, net	9,667,901	10,461,274	(793,373)
Total assets	17,326,012	17,406,355	(80,343)
Deferred outflows of resources	461,421	420,029	41,392
Liabilities:			
Current liabilities	1,867,389	1,746,723	120,666
Noncurrent liabilities	3,218,888	4,347,720	(1,128,832)
Total liabilities	5,086,277	6,094,443	(1,008,166)
Deferred inflows of resources	743,511	1,095,684	(352,173)
Net position:			
Net investment in capital assets	8,422,901	8,041,274	381,627
Restricted for debt service	1,336,988	1,265,663	71,325
Restricted for capital projects	18,561	18,561	-
Unrestricted	2,179,195	1,310,759	868,436
Total net position	$ 11,957,645	$ 10,636,257	$ 1,321,388

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 $11,957,645 as of June 30, 2016.

A portion of the District's net position 70.44% or $8,422,901 reflects its investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to operate the District; consequently, these assets are *not* available for future spending. At the end of fiscal year 2016, the District shows a positive balance in its unrestricted net position of $2,179,195 that may be utilized in future years.

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Condensed Statement of Activities

	June 30, 2016	June 30, 2015	Change
Revenues:			
Program revenues:			
Charges for services	$ 440,002	$ 440,669	$ (667)
Operating grants and contributions	417,521	438,920	(21,399)
General revenues:			
Property taxes	8,824,153	8,449,572	374,581
Interest earnings	35,847	28,915	6,932
Other	-	4,265	(4,265)
Total revenues	9,717,523	9,362,341	355,182
Expenses:			
Library operations:			
Salaries and benefits	5,723,620	5,809,505	(85,885)
Materials and services	1,719,597	1,677,671	41,926
Depreciation	885,772	855,421	30,351
Interest	67,146	125,625	(58,479)
Total expenses	8,396,135	8,468,222	(72,087)
Change in net position	1,321,388	894,119	427,269
Net position:			
Beginning of year	10,636,257	9,742,138	894,119
End of year	$ 11,957,645	$ 10,636,257	$ 1,321,388

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 $1,321,388 for the fiscal year ended June 30, 2016.

Governmental Funds Financial Analysis

The focus of the District's *governmental funds* 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, the *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, 2016, the District's General Fund reported a fund balance of $5,954,443. An amount of $1,438,627 constitutes the District's *unassigned fund balance*, which is available for future library expenditures.

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Capital Asset Administration

At June 30, 2016, the District's investment in capital assets amounted to $9,667,901 (net of accumulated depreciation). This investment in capital assets includes structures and improvements and equipment. (See Note 3 for further information)

Capital assets balances are as follows:

	June 30, 2016	June 30, 2015
Non-depreciable assets	$ 752,694	$ 1,100,442
Depreciable assets	31,180,145	30,739,998
Accumulated depreciation and amortization	(22,264,938)	(21,379,166)
Total capital assets, net	$ 9,667,901	$ 10,461,274

Debt Service

Debt service balances are as follows:

	June 30, 2016	June 30, 2015
Bonds payable	$ 1,245,000	$ 2,420,000

(See Note 4 for further debt service information)

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 District's Finance Director, Julie Mattix, at the Palos Verdes Library District, 701 Silver Spur Road, Rolling Hills Estates, CA 90275.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Statement of Net Position
June 30, 2016

ASSETS	
Cash and investments (Note 2)	$ 5,642,073
Restricted ─ cash and investments (Note 2)	1,313,998
Accrued interest receivable	13,856
Restricted – accrued interest receivable	2,942
Property taxes receivable	538,271
Restricted – property taxes receivable	64,547
Accounts receivable ─ other	46,073
Prepaid items	36,351
Capital assets – not being depreciated (Note 3)	752,694
Capital assets, net – being depreciated (Note 3)	8,915,207
Total assets	17,326,012
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions made after the measurement date (Note 6)	436,015
Differences between expected and actual experience (Note 6)	25,406
Total deferred outflows of resources	461,421
LIABILITIES	
Accounts payable and accrued expenses	105,268
Accrued salaries and benefits	226,724
Accrued interest payable	25,938
Deposits	8,750
Due within one year:	
Bonds payable (Note 4)	1,245,000
Compensated absences (Note 5)	255,709
Due in more than one year:	
Net pension liability (Note 6)	3,218,888
Total liabilities	5,086,277
DEFERRED INFLOWS OF RESOURCES	
Differences between projected and actual earnings on pension plan investments (Note 6)	120,495
Difference between actual and proportionate share of employer contributions (Note 6)	142,954
Adjustment due to differences in proportions (Note 6)	239,702
Changes in assumptions (Note 6)	240,360
Total deferred inflows of resources	743,511
NET POSITION	
Net investment in capital assets (Note 7)	8,422,901
Restricted for debt service (Note 8)	1,336,988
Restricted for capital projects (Note 8)	18,561
Unrestricted	2,179,195
Total net position	$ 11,957,645

See accompanying Notes to the Basic Financial Statements.

Palos Verdes Library District
Statement of Activities
For the Year Ended June 30, 2016

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Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Capital and Operating Grants	Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
Library operations	$ 7,443,217	$ 440,002	$ 417,521	$ (6,585,694)
Depreciation expense	885,772	-	-	(885,772)
Interest expense	67,146	-	-	(67,146)
Total governmental activities	$ 8,396,135	$ 440,002	$ 417,521	(7,538,612)
General revenues:				
Property taxes				8,824,153
Investment earnings				35,847
Total general revenues				8,860,000
Change in net position				1,321,388
Net Position:				
Beginning of year				10,636,257
End of year				$ 11,957,645

See accompanying Notes to the Basic Financial Statements.

FUND FINANCIAL STATEMENTS

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Palos Verdes Library District

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Balance Sheet - Governmental Funds
June 30, 2016

ASSETS	General Fund	Debt Service Fund	Total Governmental Funds
Assets:			
Cash and cash equivalents	$ 5,660,634	1,295,437	6,956,071
Accrued interest receivable	13,856	2,942	16,798
Property taxes receivable	538,271	64,547	602,818
Accounts receivable — other	46,073	-	46,073
Prepaid items	36,351	-	36,351
Total assets	$ 6,295,185	$ 1,362,926	$ 7,658,111
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable and accrued expenses	$ 105,268	$ -	$ 105,268
Accrued salaries and benefits	226,724	-	226,724
Deposits	8,750	-	8,750
Total liabilities	340,742	-	340,742
Fund balance: (Note 9))			
Nonspendable	36,351	-	36,351
Restricted	18,561	1,362,926	1,381,487
Committed	255,709	-	255,709
Assigned	4,205,195	-	4,205,195
Unassigned	1,438,627	-	1,438,627
Total fund balance	5,954,443	1,362,926	7,317,369
Total liabilities and fund balance	$ 6,295,185	$ 1,362,926	$ 7,658,111

See accompanying Notes to the Basic Financial Statements.

Palos Verdes Library District

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Reconciliation of the Balance Sheet of Governmental Funds to the Government-Wide Statement of Net Position of Governmental Activities
June 30, 2016

Fund balance of governmental funds	$ 7,317,369
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	9,667,901
Deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred outflows of resources.	461,421
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. However, the statement of net position recognizes accrued interest on long-term debt based on the period of accrual.	(25,938)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Bonds payable	(1,245,000)
Compensated absences	(255,709)
Net pension liability is not due and payable in the current period and therefore is not reported in the governmental funds.	(3,218,888)
Deferred inflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred inflows of resources.	(743,511)
Total adjustments	4,640,276
Net position of governmental activities	$ 11,957,645

See accompanying Notes to the Basic Financial Statements.

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Statement of Revenues, Expenditures and Change in Fund Balances
For the Year Ended June 30, 2016

	General Fund	Debt Service Fund	Total
Revenues:			
Property taxes	$ 7,515,770	$ 1,308,383	$ 8,824,153
Charges for services	440,002	-	440,002
Operating grants and contributions	417,521	-	417,521
Investment earnings	30,759	5,088	35,847
Total revenues	8,404,052	1,313,471	9,717,523
Expenditures:			
Library operations:			
Salaries and benefits	5,945,740	-	5,945,740
Materials and services	1,719,597	-	1,719,597
Capital outlay	92,399	-	92,399
Debt service:			
Principal	-	1,175,000	1,175,000
Interest	-	91,625	91,625
Total expenditures	7,757,736	1,266,625	9,024,361
Change in fund balance	646,316	46,846	693,162
Fund Balance:			
Beginning of year	5,308,127	1,316,080	6,624,207
End of year	$ 5,954,443	$ 1,362,926	$ 7,317,369

See accompanying Notes to the Basic Financial Statements.

Palos Verdes Library District

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Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities
For the Year Ended June 30, 2016

Net changes in fund balance of governmental funds	$ 693,162
Amount reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	92,399
Depreciation expense	(885,772)
Governmental funds report principal repayment of long-term debt as an expenditure. However, principal repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.	1,175,000
Changes in net pension obligation reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.	277,397
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 as follows:	
Change in interest payable	24,479
Change in compensated absence	(55,277)
Total adjustments	628,226
Change in net position of governmental activities	$ 1,321,388

See accompanying Notes to the Basic Financial Statements.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

The Palos Verdes Library District was formed on April 14, 1928, in accordance with the provisions of the California Education Code, Section 27501, which provides for the establishment of library districts. The governing body is an elected board of five trustees.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, *The Financial Reporting Entity*. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. 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 District has no component units as of year-end.

Basis of Accounting and Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the primary government. The effect of inter-fund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

The District's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

> ***Deferred Outflows of Resources*** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.
>
> ***Deferred Inflows of Resources*** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

The government-wide financial statements are reported using the *"economic resources"* measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *"current financial resources"* measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year and other revenues when collected within one year of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The primary revenue sources susceptible to accrual are property taxes, charges for services, and interests associated with the current fiscal period and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major funds:

Governmental Funds:

> ***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.

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 and liabilities and disclosures of contingent assets and liabilities 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.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Investments

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.

In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

Restricted Assets

Certain resources are set aside for the repayment of the District's General Obligation Refunding Bonds and other items and are classified as restricted assets on the on the statement of net position because their use is limited by applicable bond covenants and donor restrictions.

Property Taxes

Property taxes attach as 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 Los Angeles Assessor's Office assesses all real and personal property within the County each year. The County of Los Angeles Tax Collector's Office bills and collects the District's share of property taxes. The County of Los Angeles 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 receivable at year-end are related to property taxes collected by the County of Los Angeles, 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 March 1
Collection dates	December 10 and April 10

Prepaid Items

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

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Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

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:

Asset Class	Useful Lives
Buildings	20 years
Furniture and equipment	3-5 years

Compensated Absences

It's the District policy to allow vacation time between 10 to 20 working days based on completed years of service. Vacation time may be accumulated each pay period beginning with the date of hire for salaried employees. Vacation time may not be used until after the employee successfully completes the first 6 months of their introductory period. It's the District policy that vacation shall be used annually. The District's maximum accrual is 240 hours, unless other approved by management.

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 pension of the District's pension plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the plans (Note 9). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

CalPERS	
Valuation date	June 30, 2014
Measurement date	June 30, 2015
Measurement period	July 1, 2014 to June 30, 2015

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retires) as of the beginning of the measurement period.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Net Position

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

Net Investment in Capital Assets– This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.

Restricted– This component of net position consists of constraints placed on assets reduced by liabilities and deferred inflows of resources use 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– This component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

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 – 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– 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 enabling legislation.

Committed– 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– 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– 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.

The Board of Trustees established, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

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

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

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.

Budgetary Policies

Prior to June 30th each fiscal year, the District adopts an annual appropriated budget for planning, control, and evaluation purposes. The budget includes proposed expenses and the means of financing them. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. The Board approves total budgeted appropriations and any amendments to the appropriations throughout the year. Actual expenses may not exceed budgeted appropriations, except by a 2/3 vote of the Board. Formal budgetary integration is employed as a management control device during the year. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

Accounting Changes

During fiscal year ended June 30, 2016, the District has implemented the following new GASB pronouncements:

Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosure related to all fair value measurements. Application of this statement is effective for fiscal year ending June 30, 2016.

Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements 67 and 68). Application of this statement is effective for District's fiscal year ending June 30, 2016, except those provisions that address employers and governmental non-employer contributing entities that are not within the scope of GASB Statement 68, which are effective for financial statements for fiscal year ending June 30, 2017.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* This statement reduces the generally accepted accounting principles (GAAP) hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. Application of this statement is effective for fiscal year ending June 30, 2016.

Note 2 – Cash and Investments

Cash and investments at June 30, 2016 are classified in the accompanying financial statements as follows:

Description		Balance
Cash and investments	$	5,642,073
Restricted – cash and investments		1,313,998
Total cash and investments	$	6,956,071

Cash and investments at June 30, 2016, consist of the following:

Description		Balance
Cash on hand	$	1,481
Deposits with financial institutions		659,443
Investments		6,295,147
Total cash and investments	$	6,956,071

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy 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. At June 30, 2016, the District had no deposits with financial institutions subject to custodial credit risk.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contains 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 external investment pools.

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.

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Note 2 – Cash and Investments (Continued)

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, 2016, the District's investment in the LACTIP was rated by Standard & Poor's as AAAf / S1+.

Concentration of Credit Risk

The District's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code. There were no investments in any one non-governmental issuer that represent 5% or more of the District's total investments as of June 30, 2016.

Investments	Measurement Input	Fair Value June 30, 2016	Maturity 12 Months or Less
External Investment Pools:			
Los Angeles County Treasury Investment Pool (LACTIP)	Level 2	$ 6,295,147	$ 6,295,147
Total investments		$ 6,295,147	$ 6,295,147

Authorized Investments and Investment Policy

The District has adopted an investment policy directing the Fiscal Officer to deposit funds in financial institutions.

Investments are to be made in the following areas:

External Investment Pools:

Los Angeles County Treasury Investment Pool (LACTIP)

Cash with County of Los Angeles Treasury Pool

The District is a voluntary participant in the Los Angeles County Investment Pool pursuant to Government Code Section 53694. The cash flow needs of participants are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of those participants. At the time deposits are made, the Los Angeles County Investment Pool's Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of $1 million. Projections are performed no less than semi-annually. In accordance with Government Code Section 27136, all request for withdrawal of funds for the purpose of investing or deposits the funds elsewhere shall be evaluated to ensure the proposed withdrawal will not adversely affect the principal deposits of the other participants. At June 30, 2016, the District had $6,295,147 invested in the Los Angeles County Investment Pool.

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Note 3 – Capital Assets

At June 30, 2016, the capital assets balances for the District are as follows:

	Balance July 1, 2015	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 2016
Non-depreciable capital assets:				
Land	$ 392,194	$ -	$ -	$ 392,194
Artwork	360,500	-	-	360,500
Construction-in-process	347,748	-	(347,748)	-
Total non-depreciable capital assets	1,100,442	-	(347,748)	752,694
Depreciable capital assets:				
Library buildings	28,692,675	347,748	-	29,040,423
Furniture and equipment	2,047,323	92,399	-	2,139,722
Total depreciable capital assets	30,739,998	440,147	-	31,180,145
Accumulated depreciation:				
Library buildings	(19,545,012)	(791,199)	-	(20,336,211)
Furniture and equipment	(1,834,154)	(94,573)	-	(1,928,727)
Total accumulated depreciation	(21,379,166)	(885,772)	-	(22,264,938)
Total depreciable capital assets, net	9,360,832	(445,625)	-	8,915,207
Total capital assets, net	$ 10,461,274	$ (445,625)	$ (347,748)	$ 9,667,901

Note 4 – Bonds Payable

Changes in bonds payable for the year ended June 30, 2016 were as follows:

Long-Term Debt	Balance July 1, 2015	Additions	Payments	Balance June 30, 2016
Bonds payable	$ 2,420,000	$ -	$ (1,175,000)	$ 1,245,000

On May 1, 1998, the District issued General Obligation Refunding Bonds, Series 1998 (Refunding Bonds) in the amount of $14,230,000 to advance refund the 1991 General Obligation Bonds (Original Bonds) maturing on and after August 1, 2002 in the amount of $12,505,000. Interest rates on the Refunding Bonds vary from 3.70% to 5.00% per annum, payable semi-annually on August 1, 1998 to August 1, 2016. The advance refunding met the requirements of an in-substance defeasance of the Original Bonds maturing after 2002 in the amount of $12,505,000. Therefore, the liability for those bonds was removed from the District's government-wide financial statements. The remaining debt service payments are as follows:

Fiscal Year	Principal	Interest	Total
2017	$ 1,245,000	$ 31,125	$ 1,276,125

Note 5 – Compensated Absences

At June 30, 2016, the compensated absence balance is as follows:

Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Current Portion
$ 200,432	$ 137,995	$ (82,718)	$ 255,709	$ 255,709

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Note 6 – Net Pension Liability and Defined Benefit Pension Plan

Summary

Type of Account	Balance as of July 1, 2015 (As Restated)	Additions	Deletions	Balance as of June 30, 2016
Deferred Outflows of Resources:				
Pension contributions made after the measurement date:				
CalPERS – Miscellaneous Plan	$ 420,029	$ 436,015	$ (420,029)	$ 436,015
Differences between expected and actual experience:				
CalPERS – Miscellaneous Plan	-	34,479	(9,073)	25,406
Total deferred outflows of resources	$ 420,029	$ 470,494	$ (429,102)	$ 461,421
Net Pension Liability:				
CalPERS – Miscellaneous Plan	$ 3,102,720	$ 536,197	$ (420,029)	$ 3,218,888
Deferred Inflows of Resources:				
Differences between projected and actual earnings on pension plan investments:				
CalPERS – Miscellaneous Plan	$ 1,046,067	$ -	$ (925,572)	$ 120,495
Difference between actual and proportionate share of employer contributions:				
CalPERS – Miscellaneous Plan	49,174	151,107	(57,327)	142,954
Adjustment due to differences in proportions:				
CalPERS – Miscellaneous Plan	443	323,564	(84,305)	239,702
Changes in assumptions:				
CalPERS – Miscellaneous Plan	-	326,203	(85,843)	240,360
Total deferred inflows of resources	$ 1,095,684	$ 800,874	$ (1,153,047)	$ 743,511

General Information about the Pension Plans

The Plans Description Schedule

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to December 31, 2012	On or after January 1, 2013
Benefit formula	2.0% @ 55	2.0 @ 62
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	1.0% to 2.0%	1.0% to 2.0%
Required member contribution rates	7.000%	6.500%
Required employer contribution rates	11.522%	6.500%

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2014 Annual Actuarial Valuation Report. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Members Covered by Benefit Terms

At June 30, 2015 (Measurement Date), the following members were covered by the benefit terms:

	Miscellaneous Plans		
Plan Members	**Classic Tier 1**	**PEPRA Tier 2**	**Total**
Active members	41	9	50
Transferred and terminated members	31	-	31
Retired members and beneficiaries	65	-	65
Total plan members	137	9	146

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 12 months for Classic and 36 months for PEPRA of full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous members are calculated as 1.0% to 2.0% of the average final 12 months compensation based on age at time of retirement. Retirement benefits for PEPRA Miscellaneous members are calculated as 1.0% to 2.0% of the average final 36 months compensation based on age at time of retirement.

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.5 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

General Information about the Pension Plans (Continued)

Benefits Provided (Continued)

Upon the death of a retiree, a one-time lump sum payment of $500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The public agency cost-sharing plans covered by the Miscellaneous risk pool, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of members. For the measurement period ended June 30, 2015 (Measurement Date), the active member contribution rate for the Classic Miscellaneous Plan and the PEPRA Miscellaneous Plan are based above in the Plans Description schedule.

Contributions for the year ended June 30, 2016 were as follows:

	Miscellaneous Plans		
Contribution Type	Classic Tier 1	PEPRA Tier 2	Total
Contributions – employer	$ 408,595	$ 27,420	$ 436,015
Contributions – members	227,420	27,478	254,898
Total contributions	$ 636,015	$ 54,898	$ 690,913

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability

For the measurement period ended June 30, 2015 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2014 total pension liability. Both the June 30, 2014 and the June 30, 2015 total pension liabilities were based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds. 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.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

All other actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The long-term expected rate of return on the pension plan investments was determined in which best-estimate ranges of expected future real rates are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

The long-term expected rate of return on pension 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 pension plan investment expense and inflation) are developed for each major *asset class.*

The table below reflects 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. These geometric rates of return are net of administrative expenses.

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Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Discount Rate (Continued)

Investment Type	New Strategic Allocation	Real Return Years 1 - 10[1]	Real Return Years 11+[2]
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
	100.00%		

[1] An expected inflation rate-of-return of 2.5% is used for years 1 – 10.

[2] An expected inflation rate-of-return of 3.0% is used for years 11+.

Sensitivity of the District's 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 of the Plan as of the measurement date, calculated using the discount rate of 7.65%, 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 1 percentage-point lower (6.65%) or 1 percentage-point higher (8.65%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
Plan Type	Discount Rate - 1% 6.65%	Current Discount Rate 7.650%	Discount Rate + 1% 8.65%
CalPERS – Miscellaneous Plan	$ 5,905,863	$ 3,218,888	$ 1,000,478

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

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Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan:

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
CalPERS – Miscellaneous Plan:			
Balance as of June 30, 2014 (Valuation Date)	$ 18,331,844	$ 15,229,124	$ 3,102,720
Balance as of June 30, 2015 (Measurement Date)	$ 19,730,087	$ 16,511,199	$ 3,218,888
Change in Plan Net Pension Liability	$ 1,398,243	$ 1,282,075	$ 116,168

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2014). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2015). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2015 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2014-15 fiscal year).

(3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

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Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The District's proportionate share of the net pension liability was as follows:

	Percentage Share of Risk Pool		
	Fiscal Year Ending June 30, 2016	Fiscal Year Ending June 30, 2015	Change Increase/ (Decrease)
Measurement Date	June 30, 2015	June 30, 2014	
Percentage of Risk Pool Net Pension Liability	0.053504%	0.057103%	0.000096%
Percentage of Plan (PERF C) Net Pension Liability	0.021385%	0.022681%	0.000057%

For the year ended June 30, 2016, the District recognized pension expense/(credit) in the amounts of $(277,397) for the CalPERS Miscellaneous Plan.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The expected average remaining service lifetime (EARSL) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the 2014-15 measurement period is 3.8 years, which was obtained by dividing the total service years of 460,700 (the sum of remaining service lifetimes of the active employees) by 122,789 (the total number of participants: active, inactive, and retired).

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Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Net Pension Liability, Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plans (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	$ 436,015	$ -
Difference between actual and proportionate share of employer contributions	-	142,954
Adjustment due to differences in proportions	-	-
Differences between expected and actual experience	25,406	-
Differences between projected and actual earnings on pension plan investments	-	120,495
Adjustment due to differences in proportions	-	239,702
Changes in assumptions	-	240,360
Total Deferred Outflows/(Inflows) of Resources	$ 461,421	$ 743,511

The District will recognize $436,015 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2017, as noted above.

Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

Amortization Period Fiscal Year Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	$ 9,073	$ 318,981
2018	9,073	315,441
2019	7,260	263,112
2020	-	(154,023)
Total	$ 25,406	$ 743,511

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Note 7 – Net Investment in Capital Assets

Net investment in capital assets as of June 30, 2016 was calculated as follows:

	Balance June 30, 2016
Net investment in capital assets:	
Capital assets – not being depreciated	$ 752,694
Capital assets, net – being depreciated	8,915,207
Bonds payable	(1,245,000)
Total net investment in capital assets	$ 8,422,901

Note 8 – Restricted Net Position

Restricted net position as of June 30, 2016 consisted of the following:

	Balance June 30, 2016
Restricted for debt service:	
Restricted – cash and investments	$ 1,313,998
Restricted – accrued interest receivable	2,942
Restricted – property taxes receivable	64,547
Restricted for capital projects	(18,561)
Accrued interest payable	(25,938)
Total restricted for debt service	$ 1,336,988
Restricted for capital projects	
Malaga Cove Library	$ 9,916
Miraleste Library	8,645
Total restricted for capital projects	$ 18,561

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Note 9 – Fund Balance

Fund balances classifications as of June 30, 2016 are as follows:

Description	General Fund	Debt Service Fund	Total Governmental Funds
Nonspendable:			
Prepaid items	$ 36,351	$ -	$ 36,351
Restricted:			
Debt service	-	1,362,926	1,362,926
Malaga Cove Library	9,916	-	9,916
Miraleste Library	8,645	-	8,645
Total assigned	18,561	1,362,926	1,381,487
Commited:			
Compensated absences	255,709	-	255,709
Assigned:			
Minimum balance requirement	3,793,351	-	3,793,351
Emergency 5% of operating contingency	411,844	-	411,844
Total assigned	4,205,195	-	4,205,195
Unassigned	1,438,627	-	1,438,627
Total fund balances	$ 5,954,443	$ 1,362,926	$ 7,317,369

Note 10 – Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in two 457 Deferred Compensation Programs (Programs). The purpose of these Programs is to provide deferred compensation for public employees that elect to participate in the Programs. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of plan assets held in trusts by Nationwide Retirement Solutions and Mutual of America was $825,907 and $1,247,753, respectively at June 30, 2016.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not presented in the accompanying financial statements.

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Note 11 – 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, 2016, 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 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.

- Employee dishonesty coverage up to $400,000 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, deductible of $500 per claim.

The District maintains workers' compensation coverage and employer's liability coverage in accordance with the statutory requirements of the State of California. 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, 2016, 2015 and 2014. 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 were no IBNR claims payable as of June 30, 2016, 2015 and 2014.

Note 12 – Commitments and 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.

REQUIRED SUPPLEMENTARY INFORMATION

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Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Property taxes	$ 7,322,400	$ 7,515,770	$ 193,370
Charges for services	401,900	440,002	38,102
Operating grants and contributions	434,500	417,521	(16,979)
Investment earnings	20,000	30,759	10,759
Other revenues	5,500	-	(5,500)
Total revenues	8,184,300	8,404,052	219,752
EXPENDITURES:			
Current:			
Salaries and benefits	5,958,300	5,945,740	12,560
Materials and services	1,679,500	1,719,597	(40,097)
Capital outlay	153,500	92,399	61,101
Total expenditures	7,791,300	7,757,736	33,564
NET CHANGE IN FUND BALANCES	$ 393,000	646,316	$ 186,188
FUND BALANCES:			
Beginning of year		5,308,127	
End of year		$ 5,954,443	

Palos Verdes Library District

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Required Supplementary Information (Unaudited)

Budgetary Comparison Schedule – Debt Service Fund

For the Year Ended June 30, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES:			
Property taxes	$ 1,336,625	$ 1,308,383	$ (28,242)
Investment earnings	2,000	5,088	3,088
Total revenues	1,338,625	1,313,471	(25,154)
EXPENDITURES:			
Debt service:			
Principal	1,175,000	1,175,000	-
Interest	91,625	91,625	-
Total expenditures	1,266,625	1,266,625	-
NET CHANGE IN FUND BALANCES	$ 72,000	46,846	$ (25,154)
FUND BALANCES:			
Beginning of year		1,316,080	
End of year		$ 1,362,926	

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Required Supplementary Information (Unaudited)

Schedule of the District's Proportionate Share of the Plan's Net Pension Liability

For the Year Ended June 30, 2016

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date:	**June 30, 2015**[1]	**June 30, 2014**[1]
District's Proportion of the Net Pension Liability	0.046896%	0.049863%
District's Proportionate Share of the Net Pension Liability	$ 3,218,888	$ 3,102,720
District's Covered-Employee Payroll	$ 3,049,823	$ 2,960,993
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	105.54%	104.79%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	83.68%	83.07%

[1] Historical information is required only for measurement periods for which GASB No. 68 is applicable.

Palos Verdes Library District

Required Supplementary Information (Unaudited)

Schedule of the District's Contributions to the Pension Plan

For the Year Ended June 30, 2016

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year:	**2015-16**[1]	**2014-15**[1]	**2013-14**[1]
Actuarially Determined Contribution[2]	$ 436,015	$ 420,029	$ 331,093
Contribution in Relation to the Actuarially Determined Contribution[2]	(436,015)	(420,029)	(331,093)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District"s Covered-Employee Payroll[3]	$ 3,579,441	$ 3,049,823	$ 2,960,993
Contributions as a Percentage of Covered-Employee Payrol	12.18%	13.77%	11.18%

[1] Historical information is required only for measurement periods for which GASB No. 68 is applicable.

[2] Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

[3] Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.

Notes to the Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes)