Palos Verdes Library District

Annual Financial Report

For the Fiscal Year Ended June 30, 2022

Jennifer Addington, District Director
Palos Verdes Library District
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Palos Verdes Library District
Annual Financial Report
For the Fiscal Year Ended June 30, 2022

Table of Contents

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Independent Auditor's Report

Board of Library Trustees
Palos Verdes Library District
Palos Verdes, California

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

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 8 and the required supplementary information on pages 36 through 39 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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, 2022 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 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.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
October 20, 2022

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, 2022. Please read it in conjunction with additional information that we have furnished in the accompanying basic financial statements, which follow this section.

Financial Highlights

- In 2022, the District's net position increased by 89.3%, or $8,658,874, from $9,692,235 to $18,351,109, as a result from ongoing operations.
- In 2022, total revenues from all sources increased by 3.7%%, or $371,134, from $10,009,604 to $10,380,738.
- In 2022, total expenses from the District's operations decreased by 82.0%, or $7,841,984, from $9,563,848 to $1,721,864.

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), deferred outflows of resources, 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 it. Think of the District's net position – assets and deferred outflows of resources less 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 is 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.

Governmental Fund 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 15 through 35.

Government-wide Financial Analysis

Condensed Statements of Net Position

	2022	2021	Change
Assets:			
Current assets	$ 10,643,818	9,769,572	874,246
Non-current assets	4,620,515	-	4,620,515
Capital assets, net	5,084,713	5,381,624	(296,911)
Total assets	20,349,046	15,151,196	5,197,850
Deferred outflows of resources	5,070,596	7,111,223	(2,040,627)
Total deferred outflows of resources	5,070,596	7,111,223	(2,040,627)
Liabilities:			
Current liabilities	6,550,393	12,521,006	(5,970,613)
Total liabilities	6,550,393	12,521,006	(5,970,613)
Deferred inflows of resources	518,140	49,178	468,962
Total deferred inflows of resources	518,140	49,178	468,962
Net position:			
Net investment in capital assets	5,084,713	5,381,624	(296,911)
Restricted	614,603	749,713	(135,110)
Unrestricted	12,651,793	3,560,898	9,090,895
Total net position	$ 18,351,109	9,692,235	8,658,874

Government-wide Financial Analysis, continued

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 exceeded liabilities and deferred inflows of resources by $18,351,109 as of June 30, 2022.

A portion of the District's net position (27.7%) reflects its investment in capital assets (net of accumulated depreciation); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to operate the library; consequently, these assets are *not* available for future spending.

At the end of fiscal year 2022, the District shows a positive balance in its unrestricted net position of $12,651,793 that may be utilized in future years.

Condensed Statements of Activities

Governmental Activities:	2022	2021	Change
Expenses:			
Library operations	$ 1,721,864	9,563,848	(7,841,984)
Program revenues	518,774	445,975	72,799
General revenues	9,861,964	9,563,629	298,335
Total revenues	10,380,738	10,009,604	371,134
Changes in net position	8,658,874	445,756	8,213,118
Net position, beginning of year	9,692,235	9,246,479	445,756
Net position, end of year	$ 18,351,109	9,692,235	8,658,874

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 89.3%, or $8,658,874, from $9,692,235 to $18,351,109, in fiscal year 2022 as a result from ongoing operations.

The District's total revenues increased by 3.7%, or $371,134, from $10,009,604 to $10,380,738, in fiscal year 2022, primarily due to increases in property taxes of $422,310 and charge for services of $218,410; which were offset by decreases in operating grant and contributions of $145,611 and investment returns of $115,517.

The District's total expenses decreased by 82.0%, or $7,841,984, from $9,563,848 to $1,721,864, in fiscal year 2022, primarily due a decrease in salaries and benefits of $8,210,717 which included a non-cash pension credit stemming from the District's refinancing of its unfunded accrued pension liability along with CalPERS' investment gains during the fiscal year ended June 30, 2021 resulting in a net pension asset position for the fiscal year ended June 30, 2022; which was offset by increases in materials and services of $192,203 and interest expense of $152,521.

Governmental Fund Financial Analysis

The focus of the District's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2022, the District's General Fund reported a fund balance of $10,253,381. The District had no *unassigned fund balance*, which is available for spending or designation at the District's discretion. See Note 10 for further discussion.

General Fund Budgetary Highlights

The actual expenditures at year end were $660,416 less than budgeted. The variance is primarily due to capital outlay of $454,967, materials and services of $128,646, and salaries and benefits of $76,803 less than budgeted. The actual program revenues at year end were $18,567 more than budgeted. The actual general revenues at year end were $26,327 less than budgeted. The variance is primarily due to property taxes of $109,527 more than budgeted; which was offset by investment returns of $135,828 less than budgeted. The General Fund budget to actual comparison schedule can be found on page 36.

Capital Asset Administration

At the end of fiscal year 2022, the District's investment in capital assets amounted to $5,084,713 (net of accumulated depreciation). This investment in capital assets includes land, building and building improvements, and furniture and fixtures. See Note 4 for further information.

	Balance 2021	Additions	Deletions	Balance 2022
Capital assets:				
Non-depreciable assets	$ 1,061,734	562,041	(282,690)	1,341,085
Depreciable assets	32,054,785	355,682	-	32,410,467
Accumulated depreciation	(27,734,895)	(931,944)	-	(28,666,839)
Total depreciable asset, net	4,319,890	(576,262)	-	3,743,628
Total capital assets, net	$ 5,381,624			5,084,713

Debt Administration

During the year, the District's debt decreased $171,000 due to principal payments. The change in long-term debt in 2022 was as follows:

	Balance 2021	Additions/ Deletions	Principal Payments	Balance 2022
Long-term debt:				
Bond payable	$ 5,924,000	-	(171,000)	5,753,000
Total bond payable	$ 5,924,000	-	(171,000)	5,753,000

Conditions Affecting Current Financial Position

The COVID-19 outbreak in the United States has caused business disruption through labor shortages and business closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. As a result, the related financial impact on the District cannot be estimated at this time.

Management is unaware of any other 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 Finance Manager, Will Liu, at the Palos Verdes Library District, 701 Silver Spur Road, Rolling Hills Estates, California 90274, or by telephone at (310) 377-9584.

Basic Financial Statements

Palos Verdes Library District
Statement of Net Position
June 30, 2022

		2022
Assets:		
Cash and cash equivalents (note 2)	$	8,591,536
Cash and cash equivalents - restricted (note 2)		614,603
Accounts receivable		224,284
Accrued interest receivable		30,301
Property taxes receivable		775,020
Notes receivable (note 3)		361,350
Prepaid expenses and deposits		46,724
Net pension asset		4,620,515
Capital assets, net (note 4)		5,084,713
Total assets		20,349,046
Deferred outflows of resources:		
Deferred pension outflows (note 7)		5,070,596
Total deferred outflows of resources		5,070,596
Liabilities:		
Accounts payable		72,100
Accrued payroll and related expenses		247,665
Accrued interest		50,339
Compensated absences (note 5)		406,956
Deferred revenue		20,333
Pension bond payable (note 6)		
Current portion		177,000
Non-current portion		5,576,000
Total liabilities		6,550,393
Deferred inflows of resources:		
Deferred pension inflows (note 7)		518,140
Total deferred inflows of resources		518,140
Net position:		
Net investment in capital assets		5,084,713
Restricted		614,603
Unrestricted (note 9)		12,651,793
Total net position	$	18,351,109

See accompanying notes to the basic financial statements

Palos Verdes Library District
Statement of Activities
For the Fiscal Year Ended June 30, 2022

		2022
Expenses:		
Library operations:		
Salaries and benefits	$	(1,550,771)
Materials and services		2,136,335
Interest expense		204,356
Depreciation		931,944
Total expenses		1,721,864
Program revenues:		
Charges for services		295,599
Operating grants and contributions		223,175
Total program revenues		518,774
Net program expense		1,203,090
General revenues:		
Property taxes		9,794,027
Investment return		(85,236)
Rental income		19,030
Other		134,143
Total general revenues		9,861,964
Changes in net position		8,658,874
Net position, beginning of year		9,692,235
Net position, end of year	$	18,351,109

See accompanying notes to the basic financial statements

Palos Verdes Library District
Balance Sheet — Governmental Fund
June 30, 2022

	General Fund	Reclassifications & Eliminations	Statement of Net Position
Assets:			
Cash and cash equivalents (note 2)	$ 8,591,536	-	8,591,536
Cash and cash equivalents - restricted (note 2)	614,603		614,603
Accounts receivable	224,284	-	224,284
Accrued interest receivable	30,301	-	30,301
Property taxes receivable	775,020	-	775,020
Notes receivables	361,350	-	361,350
Prepaid expenses and deposits	46,724	-	46,724
Net pension assets	-	4,620,515	4,620,515
Capital assets, net	-	5,084,713	5,084,713
Total assets	10,643,818	9,705,228	20,349,046
Deferred outflows of resources:			
Deferred pension outflows	-	5,070,596	5,070,596
Total deferred outflows of resources	-	5,070,596	5,070,596
Total assets and deferred outflows	$ 10,643,818	14,775,824	25,419,642
Liabilities:			
Accounts payable	$ 72,100	-	72,100
Accrued payroll and related expenses	247,665	-	247,665
Accrued interest	50,339	-	50,339
Compensated absences	-	406,956	406,956
Deferred revenue	20,333	-	20,333
Pension bond payable			
Current portion	-	177,000	177,000
Non-current portion	-	5,576,000	5,576,000
Total liabilities	390,437	6,159,956	6,550,393
Deferred inflows of resources:			
Deferred pension inflows	-	518,140	518,140
Total deferred inflows of resources	-	518,140	518,140
Fund balance: (note 10)			
Nonspendable	46,724	(46,724)	-
Restricted	614,603	(614,603)	-
Committed	826,064	(826,064)	-
Assigned	8,765,990	(8,765,990)	-
Total fund balance	10,253,381	(10,253,381)	-
Total liabilities and fund balance	$ 10,643,818		
Net position:			
Net investment in capital assets		$ 5,084,713	5,084,713
Restricted		614,603	614,603
Unrestricted		12,651,793	12,651,793
Total net position		$ 18,351,109	18,351,109

See accompanying notes to the basic financial statements

Palos Verdes Library District
Reconciliation of the Balance Sheet of Governmental Type Fund to the Statement of Net Position
June 30, 2022

Reconciliation:

Fund balance of governmental funds	$ 10,253,381
Amount reported for governmental activities in the statement of net position is different because:	
Non-current assets and deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	
Capital assets, net	5,084,713
Net pension assets	4,620,515
Deferred pension outflows	5,070,596
Long-term liabilities and deferred inflows of resources applicable to the District are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities and deferred inflows of resources, both current and long-term, are reported in the statement of net position.	
Compensated absences	(406,956)
Pension bond	(5,753,000)
Deferred pension inflows	(518,140)
Net position of governmental activities	$ 18,351,109

See accompanying notes to the basic financial statements

Palos Verdes Library District
Statement of Revenues, Expenditures, and Changes in Fund Balance — Governmental Fund
For the Fiscal Year Ended June 30, 2022

		General Fund	Reclassifications & Eliminations	Statement of Activities
Expenditures/Expenses:				
Library operations:				
Salaries and benefits	$	6,347,348	(7,898,119)	(1,550,771)
Materials and services		2,136,335	-	2,136,335
Debt service:				
Principal		171,000	(171,000)	-
Interest		204,356	-	204,356
Capital outlay		635,033	(635,033)	-
Depreciation		-	931,944	931,944
Total expenditures/expenses		9,494,072	(7,772,208)	1,721,864
Program revenues:				
Charges for services		295,599	-	295,599
Operating grants and contributions		223,175	-	223,175
Total program revenues		518,774	-	518,774
Net program expense				1,203,090
General revenues:				
Property taxes		9,794,027	-	9,794,027
Investment return		(85,236)	-	(85,236)
Rental income		19,030	-	19,030
Other		134,143	-	134,143
Total general revenues		9,861,964	-	9,861,964
Total revenues		10,380,738	-	
Net change in fund balance		886,666	(886,666)	-
Changes in net position		-	8,658,874	8,658,874
Fund balance/Net position, beginning of year		9,366,715	-	9,692,235
Fund balance/Net position, end of year	$	10,253,381	-	18,351,109

See accompanying notes to the basic financial statements

Palos Verdes 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, 2022

Reconciliation:

Net change in fund balance of governmental fund	$	886,666
Amount reported for governmental activities in the statement of activities is different because:		
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 as follows:		
Capital outlay		635,033
Depreciation expense		(931,944)
The repayment of principal of long-term debt consumes current financial resouces and, therefore, is reported as debt service principal payments in the governmental fund. However, these payments have no impact on net position and, therefore, are not reported in the statement of activities as follows:		
Debt service principal		171,000
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 in the governmental fund.		
Net change in salaries and benefits		7,898,119
Changes in net position of governmental activities	$	8,658,874

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Palos Verdes Library District (District) was organized on April 14, 1928, under the Education Code of California, Section 27501. The District collaborates with its community to create environments for learning and inspiration, and to share the unique history of the Peninsula. The District is the community's center for discovery, lifelong learning, and personal enrichment for all. The District is governed by an elected, independent Board of Trustees.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Standards Board Statements 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.

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.

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 these statements to meet the qualifications of GASB Statement No. 34.

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

B. Basis of Accounting and Measurement Focus, continued

Fund Financial Statements, continued

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 the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are property tax, a voter approved parcel tax, interest earnings, investment revenue, and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The District reports the following major governmental fund:

General Fund – the 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.

The District has adopted the following GASB pronouncement in the current year:

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

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

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

C. Financial Reporting, continued

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

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

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

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

C. Financial Reporting, continued

In October 2021, the GASB issued Statement No. 98 – *The Annual Comprehensive Financial Report.* This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

This Statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym for comprehensive annual financial report sounds like a profoundly objectionable racial slur.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance

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. Uncertainty

The COVID-19 outbreak in the United States has caused business disruption through labor shortages and business closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration. As a result, the related financial impact on the District cannot be estimated at this time.

3. 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.

4. 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:

- Los Angeles County Pooled Surplus Investments
- 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.

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.

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

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

6. Property Taxes

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

- Building and building improvements – 5 to 30 years
- Land improvements – 15 years
- Furniture and fixtures – 3 to 5 years

8. Deferred Outflows of Resources

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

9. Compensated Absences

Compensated absences include vacation and personal time. It is the District's policy to allow vacation pay between ten (10) and twenty (20) working days based on completed years of service. Vacation time may not be used until after the employee successfully completes the first six (6) months of their introductory period. The District's maximum accrual is 240 vacation hours.

It is the District's policy to allow personal pay between four (4) hours and eight (8) working days based on the type of employment (part-time vs. full-time; hourly vs. salaried) and completed years of service. The District's maximum accrual is 64 personal hours.

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

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

10. Deferred Inflows of Resources

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

11. Pensions

For purposes of measuring the net pension liability/assets and deferred outflows/inflows of resources related to pension 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 Plan's 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, 2020
- Measurement date: June 30, 2021
- Measurement period: July 1, 2020 to June 30, 2021

12. Net Position

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

- **Net investment in capital assets –** consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets.

- **Restricted** – consists of constraints placed on assets reduced by liabilities used through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted –** consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of *net investment in capital assets* or *restricted* components of net position.

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

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

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

13. Fund Balance

The governmental fund financial statements 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. Fund balance is categorized as follows:

- **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 or 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.

Fund Balance Policy

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 when applicable, followed by the unrestricted, committed, assigned, and unassigned resources as they are needed.

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 balance categories 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.

(2) Cash and Investments

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

		2022
Cash and investments	$	8,591,536
Cash and investments - restricted		614,603
Total	$	9,206,139

Cash and investments as of June 30, consist of the following:

		2022
Petty cash	$	1,736
Deposits held with financial institutions		866,164
Deposits held with Los Angeles County Treasurer		7,723,636
Deposits held with Benefit Trust		614,603
Total	$	9,206,139

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)(4) to the financial statements.

Custodial Credit Risk

The 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: 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 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.

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 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.

(2) Cash and Cash Equivalents, continued

Cash with the Los Angeles County Pooled Surplus Investments

Los Angeles County Pooled Surplus Investments complies with the California Government Code Sections 53601 and 53635, and the investment policy adopted by the Board of Supervisors of the County of Los Angeles. The Treasurer and Tax Collector of the County of Los Angeles have delegated the authority to invest funds in the County Treasury.

Interest Rate Risk

Interest rate risk is the risk that the change 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. As of June 30, 2022, the District's deposit in the Los Angeles County Pooled Surplus Investments had an average of 933 days to maturity for the entire portfolio.

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. The Los Angeles County Pooled Surplus Investments is not rated.

(3) Notes Receivable

In June 2021, the District executed unsecured promissory note – Annex Project and unsecured promissory note – Support, with the Peninsula Friends of the Library in the amount of $300,000 and $61,350, respectively. Terms of both notes call for interest payments at a rate of 3.00% on June 1st, with the principal balance payable on demand. The balance of the unsecured promissory note – Annex Project and unsecured promissory note – Support at June 30, 2022, was $300,000 and $61,350, respectively.

(4) Capital Assets

The change in capital assets for 2022 was as follows:

	Balance 2021	Additions	Deletions	Balance 2022
Non-depreciable assets:				
Land	$ 392,194	-	-	392,194
Artwork	360,500	-	-	360,500
Construction in progress	309,040	562,041	(282,690)	588,391
Total non-depreciable assets	1,061,734	562,041	(282,690)	1,341,085
Depreciable assets:				
Land improvements	18,276	-	-	18,276
Building and building improvements	29,455,194	326,004	-	29,781,198
Furniture and fixtures	2,581,315	29,678	-	2,610,993
Total depreciable assets	32,054,785	355,682	-	32,410,467
Accumulated depreciation:				
Land improvements	(3,655)	(1,218)	-	(4,873)
Building and building improvements	(25,321,571)	(823,200)	-	(26,144,771)
Furniture and fixtures	(2,409,669)	(107,526)	-	(2,517,195)
Total accumulated depreciation	(27,734,895)	(931,944)	-	(28,666,839)
Total depreciable assets, net	4,319,890	(576,262)	-	3,743,628
Total capital assets, net	$ 5,381,624			5,084,713

(5) Compensated Absences

The District's liability for compensated absences is determined annually. The change to compensated absences balance for 2022 was as follows:

Balance 2021	Additions	Deletions	Balance 2022
$ 428,535	402,255	(423,834)	406,956

(6) Long-term Debt

The change in long-term debt for 2022 was as follows:

	Balance 2021	Additions/ Deletions	Principal Payments	Balance 2022
Bond payable:				
2021 Taxable Pension obligation bond	$ 5,924,000	-	(171,000)	5,753,000
Total bond payable	5,924,000	-	(171,000)	5,753,000
Current portion	(171,000)			(177,000)
Non-current portion	$ 5,924,000			5,930,000

(6) Long-term Debt, continued

2021 Taxable Pension Obligation Bonds

In 2021, the District issued the 2021 Taxable Pension Obligation Bonds for the purpose of paying down pension obligations of the District. The bond amount totaled $5,924,000 and bears an interest rate of 3.50% per annum. Semi-annual payments of principal and interest are due April and October each year through 2044. Annual debt service requirements are as follows:

Year	Principal	Interest	Total
2023	$ 177,000	199,815	376,815
2024	184,000	193,568	377,568
2025	190,000	187,075	377,075
2026	197,000	180,355	377,355
2027	204,000	173,408	377,408
2028-2032	1,131,000	753,918	1,884,918
2033-2037	1,346,000	539,578	1,885,578
2038-2042	1,602,000	284,515	1,886,515
2043-2044	722,000	31,850	753,850
Total	5,753,000	2,544,082	8,297,082
Current	(177,000)		
Non-current	$ 5,576,000		

(7) Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

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

(7) Defined Benefit Pension Plan, continued

Benefits Provided, continued

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 risk pool in effect at June 30, 2022, are summarized as follows:

	Classic	PEPRA
Hire date	Prior to Jan 1, 2013	After Jan 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	
Benefit payments	monthly for life	
Retirement age	50 - 55	52 - 62
Monthly benefits, as a percentage of eligible compensation	1.0% to 2.0%	1.0% to 2.0%
Required employee contribution rates	7.91%	6.75%
Required employer contribution rates	9.88%	7.59%

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 an 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, 2022, contribution to the Plan are as follows:

	Miscellaneous
Contribution - employer	$ 382,772

Net Pension Asset

As of June 30, 2022, the District reported net pension asset for its proportionate share of the net pension liability of the Plan as follows:

	Miscellaneous
Proportionate share of net pension liability(asset)	$ (4,620,515)

(7) Defined Benefit Pension Plan, continued

Net Pension Asset, continued

The District's net pension asset for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of June 30, 2022, the net pension liability of the Plan is measured as of June 30, 2021 (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, 2020 (the valuation date), rolled forward to June 30, 2021, 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(asset) for the Plan's miscellaneous risk pool as of the measurement date June 30, 2021, was as follows:

	Miscellaneous	
Proportion - June 30, 2020	0.052991	%
Proportion - June 30, 2021	(0.085434)	
Decrease in proportionate share	(0.138425)	%

Deferred Outflows/Inflows of Resources Related to Pension

For the year ended June 30, 2022, the District recognized pension credit of $7,493,768. As of June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 382,772	-
Differences between actual and expected experience	-	(518,140)
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	654,359	-
Net difference between projected and actual earnings on plan investments	4,033,465	-
Total	$ 5,070,596	(518,140)

(7) Defined Benefit Pension Plan, continued

Deferred Outflows/Inflows of Resources Related to Pensions, continued

As of June 30, 2022, the District reported $382,772 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, 2023.

As of June 30, 2022, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	Net Deferred Outflow/ (Inflow)
2023	$ 964,855
2024	1,026,588
2025	1,063,600
2026	1,114,641

Actuarial Assumptions

The total pension liabilities in the June 30, 2020, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions	
Discount rate	7.15%
Inflation	2.50%
Salary increase	Varies by entry age and service
Mortality Table*	Derived using CalPERS membership data
Period upon which actuarial Experience survey assumptions were based	1997 – 2015
Post-retirement benefit increase	Contract COLA up to 2.50% until PPPA floor on purchasing power applies; 2.50% thereafter

* The mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90 percent 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) available online on the CalPERS website.

(7) Defined Benefit Pension Plan, continued

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2021 and 2020, for the PERF C was 7.15%. This discount rate is not adjusted for administrative expenses.

The PERF C 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 for those pension plan's investments were applied to all periods of projected benefit payments to determine the total pension liability.

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

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

Asset Class	Assumed Asset Allocation		Real Return Years 1-10		Real Return Years 11+	
Global equity	50.00	%	4.80	%	5.98	%
Fixed income	28.00		1.00		2.62	
Inflation assets	0.00		0.77		1.81	
Private equity	8.00		6.30		7.23	
Real assets	13.00		3.75		4.93	
Liquidity	1.00		0.00		(0.92)	
	100.00	%				

(7) Defined Benefit Pension Plan, continued

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

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

As of June 30, 2022, the District's net pension asset at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

Description	Discount Rate -1% @ 6.15%	Current Discount Rate @ 7.15%	Discount Rate +1% @ 8.15%
Net pension asset	$ 722,218	4,620,514	7,843,180

Pension Plan Fiduciary Net Position

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

(8) Section 115 Trust

In fiscal year 2021, the District's Board approved the creation of a Section 115 Trust Agreement with the Benefit Trust, Trustee and Trust Administrator. The Section 115 Trust was established as a means to set aside monies to fund the District's pension plan obligation. Contributions to the Section 115 Trust are irrevocable, the assets are dedicated to providing benefits to plan members, and the assets are protected from creditors of the District. The purpose the Section 115 Trust was to address the District's pension obligations by accumulating assets in consideration of its defined benefit pension plan. However, in accordance with generally accepted accounting principles, the assets in the Section 115 Trust are not considered to have present service capacity as plan assets and are therefore considered restricted assets of the District rather than pension plan assets. Accordingly, the Section 115 Trust's assets are recorded as restricted for pension benefits in the District's net position and fund balance rather than assets of the pension plan during the measurement date of the net pension asset. The assets held in trust will be considered pension plan assets at the time they are transferred out of the Trust into the pension plan.

During the fiscal year ended June 30, 2021, the District deposited $750,000 into the Trust. During fiscal year ended June 30, 2022, the Trust earned $40,813 in dividend income and incurred $2,181 in fees. The Trust account balance at June 30, 2022 amounted to $614,603.

(9) Unrestricted Net Position

Unrestricted net position is categorized as follows:

Description	2022
Non-spendable net position:	
Prepaid expenses and deposits	$ 46,724
Spendable net position are designated as follows:	
Unrestricted	12,605,069
Total unrestricted net position	$ 12,651,793

(10) Fund Balance

Fund balance is presented in the following categories: non-spendable, restricted, committed, assigned, and unassigned (See Note 1.D.13 for a description of these categories).

The District's policy assigns fund balance into the following categories:

- Minimum fund balance – six-months of operating expenses as budgeted for the subsequent year to ensure that the District has sufficient cash on hand for the first six months of the fiscal year prior to the receipt of property taxes.
- Emergency reserve fund balance – 5% of total operating revenue and an additional amount, up to 5% of total operating revenue, after the application of the asset replacement fund balance. This reserve is to be used to protect against unplanned events such as emergency purchases, special projects, and situations such as loss of revenue due to an economic downturn.
- Asset replacement fund balance – the remaining fund balance after deducting the minimum fund balance and emergency reserve fund balance up to the amount budgeted for the subsequent year.

A detailed schedule of fund balance and their funding composition at June 30, 2022, are as follows:

Description		Amount
Nonspendable:		
Prepaid expenses and deposits	$	46,724
Restricted:		
Pension stabilization trust		614,603
Committed:		
Compensated absences		406,956
Annex construction		419,108
Total committed		826,064
Assigned:		
Minimum balance requirement		5,002,245
Emergency reserve		1,036,890
Asset replacement		2,726,855
Total assigned		8,765,990
Total fund balance	$	10,253,381

(11) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. 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 by the District's general creditors. Market value of plan assets held in trust by Nationwide Retirement Solutions and Mutual of America at June 30, 2022, were $1,291,600 and $1,804,668, respectively.

(12) 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, 2022, the District participated in the liability and property programs of the SDRMA as follows:

- Property coverage limits of $1 billion for property, subject to a $1,000 deductible, per occurrence; $100 million for boiler and machinery per occurrence; and $2 million for pollution per occurrence.
- General liability coverage up to $10 million for bodily injury, property damage, employment benefits, employee and public officials errors and omission, and employment practices liability per occurrence; $500,000 for public officials personal; and $1 million for employee and public officials dishonesty.
- Auto liability coverage limits up to $10 million for auto bodily injury and auto property damage per occurrence; and $1,000,000 for uninsured motorist.
- 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. Insurance coverage during the years ending June 30, 2022, 2021, and 2020 was consistent with SDRMA coverage limits. 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, 2022.

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

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

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 94

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

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

Governmental Accounting Standards Board Statement No. 94, continued

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 96

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 97

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32.* The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

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

Governmental Accounting Standards Board Statement No. 97, continued

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

(14) Contingencies

Grant Awards

Grant funds received by the District are subject to audit by grantor agencies. Such audit could lead to requests for reimbursements to 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.

(15) Subsequent Events

Events occurring after June 30, 2022, have been evaluated for possible adjustment to the financial statements or disclosure as of October 20, 2022, which is the date the financial statements were available to be issued. The District is not aware of any other subsequent events that would require recognition or disclosure in the financial statements.

Required Supplementary Information

Palos Verdes Library District
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2022

Budgets and Budgetary Data

		Adopted Original Budget	Board Approved Changes	Revised Budget	Actual Budgetary Basis	Variance Positive (Negative)
Expenditures/Expenses:						
Library operations:						
Salaries and benefits	$	6,580,742	(156,591)	6,424,151	6,347,348	76,803
Materials and services		2,323,281	(58,300)	2,264,981	2,136,335	128,646
Principal payment on debt		171,000	-	171,000	171,000	-
Interest expense		205,853	(1,497)	204,356	204,356	-
Capital outlay		940,000	150,000	1,090,000	635,033	454,967
Total expenditures/expenses		10,220,876	(66,388)	10,154,488	9,494,072	660,416
Program revenues:						
Charges for services		201,700	78,400	280,100	295,599	15,499
Operating grants and contributions		414,350	(194,243)	220,107	223,175	3,068
Total program revenues		616,050	(115,843)	500,207	518,774	18,567
General revenues:						
Property taxes		9,666,900	17,600	9,684,500	9,794,027	109,527
Investment return		46,000	4,592	50,592	(85,236)	(135,828)
Rental income		13,600	5,430	19,030	19,030	-
Other		-	134,169	134,169	134,143	(26)
Total general revenues		9,726,500	161,791	9,888,291	9,861,964	(26,327)
Total revenues		10,342,550	45,948	10,388,498	10,380,738	(7,760)
Net change in fund balance		121,674	112,336	234,010	886,666	652,656
Fund balance, beginning of year		9,366,715		9,366,715	9,366,715	
Fund balance, end of year	$	9,488,389		9,600,725	10,253,381	

Notes to Required Supplementary Information

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District 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.

Palos Verdes Library District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2022
Last Ten Years*

Defined Benefit Pension Plan

	Measurement Dates							
Description	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
District's proportion of the net pension liability(asset)	-0.08543%	0.05299%	0.05200%	0.05033%	0.05112%	0.05145%	0.04690%	0.04986%
District's proportionate share of the net pension liability(asset	$ (4,620,515)	5,765,614	5,328,776	4,849,837	5,069,934	4,452,322	3,218,888	3,102,720
District's covered-employee payroll	4,288,014	4,391,706	4,075,562	3,998,470	3,841,609	3,579,441	3,049,823	2,960,993
District's proportionate share of the net pension liability(asset) as a percentage of covered-employee payroll	-107.75%	131.28%	130.75%	121.29%	131.97%	124.39%	105.54%	104.79%
Plan's fiduciary net position as a percentage of the total pension liability	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	83.46%	78.40%

Notes to the Schedules 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

In fiscal year 2021, there were no changes to actuarial assumptions or methods.

The CalPERS Board of Administration adopted a new amortization policy effective with the June 30, 2019, actuarial valuation. The new policy shortens the period over which actuarial gains and losses are amortized from 30 years to 20 years with the payments computed as a level dollar amount. In addition, the new policy does not utilize a five-year ramp-up and ramp-down on UAL bases attributable to assumption changes and non-investment gains/losses. The new policy also does not utilize a five-year ramp-down on investment gains/losses. These changes will apply only to new UAL bases established on or after June 30, 2019. In fiscal year 2020, no changes have occurred to the actuarial assumptions in relation to financial reporting.

In fiscal year 2020, CalPERS 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.

Notes to the Schedules of the District's Proportionate Share of Net Pension Liability, continued

Change of Assumptions and Methods, continued

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% to7.375%, 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.

Palos Verdes Library District
Schedules of Pension Plan Contributions
As of June 30, 2022
Last Ten Years*

Defined Benefit Pension Plan

Description	Fiscal Years 6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Contractually required contribution	$ 382,772	718,827	675,536	601,723	526,407	492,046	436,015	420,029
Contributions in relation to the actuarially determined contributions	(382,772)	(6,642,827)	(845,536)	(701,723)	(626,407)	(692,046)	(436,015)	(420,029)
Contribution deficiency (excess)	$ -	(5,924,000)	(170,000)	(100,000)	(100,000)	(200,000)	-	-
Covered-employee payroll	$ 4,288,014	4,391,706	4,585,922	4,075,562	3,988,470	3,841,609	3,579,441	3,049,823
Contributions as a percentage of covered-employee payroll	8.93%	151.26%	18.44%	17.22%	15.71%	18.01%	12.18%	13.77%

Notes to the Schedules 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.

Report on Internal Controls and Compliance

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

Board of Library Trustees
Palos Verdes Library District
Palos Verdes, 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, 2022, 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, 2022.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
October 20, 2022