Palos Verdes Library District

Annual Financial Report

For the Fiscal Year Ended June 30, 2024

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, 2024

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Financial Section

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Independent Auditor's Report

Board of Library Trustees
Palos Verdes Library District
Rolling Hills Estates, 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, 2024, 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, 2024, 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 opinion.

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 7 and the required supplementary information on pages 33 through 36 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.

Independent Auditor's Report, continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2024 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. This report can be found on pages 37 and 38.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
October 17, 2024

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, 2024. 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 2024, the District's net position decreased by 2.7%, or $360,526, from $13,455,392 to $13,094,866, as a result from ongoing operations.
- In 2024, total revenues from all sources increased by 6.9%, or $778,305, from $11,277,632 to $12,055,937.
- In 2024, total expenses from the District's operations decreased by 23.2%, or $3,756,886, from $16,173,349 to $12,416,463.

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 14 through 32.

Government-wide Financial Analysis

Condensed Statements of Net Position

	2024	2023	Change
Assets:			
Current assets	$ 11,255,282	10,871,852	383,430
Non-current assets	7,035,409	6,279,135	756,274
Total assets	18,290,691	17,150,987	1,139,704
Deferred outflows of resources	2,920,083	3,617,474	(697,391)
Liabilities:			
Current liabilities	1,232,717	1,071,471	161,246
Non-current liabilities	6,682,604	6,241,598	441,006
Total liabilities	7,915,321	7,313,069	602,252
Deferred inflows of resources	200,587	-	200,587
Net position:			
Net investment in capital assets	7,035,409	6,279,135	756,274
Restricted	731,070	654,860	76,210
Unrestricted	5,328,387	6,521,397	(1,193,010)
Total net position	$ 13,094,866	13,455,392	(360,526)

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 $13,094,866 as of June 30, 2024.

Government-wide Financial Analysis, continued

A portion of the District's net position (53.7% or $7,035,409) 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 2024, the District shows a positive balance in its unrestricted net position of $5,328,387 that may be utilized in future years.

Condensed Statements of Activities

Governmental Activities:	2024	2023	Change
Expenses:			
Library operations	$ 12,416,463	16,173,349	(3,756,886)
Program revenues	720,435	687,156	33,279
General revenues	11,335,502	10,590,476	745,026
Total revenues	12,055,937	11,277,632	778,305
Changes in net position	(360,526)	(4,895,717)	4,535,191
Net position, beginning of year	13,455,392	18,351,109	(4,895,717)
Net position, end of year	$ 13,094,866	13,455,392	(360,526)

The statement of activities shows how the government's net position changes during the fiscal year. In the case of the District, net position decreased by 2.7%, or $360,526, from $13,455,392 to $13,094,866, in fiscal year 2024 as a result from ongoing operations.

The District's total revenues increased by 6.9%, or $778,305, from $11,277,632 to $12,055,937, in fiscal year 2024, primarily due to increases in property taxes of $554,645, and investment returns of $162,126.

The District's total expenses decreased by 23.2%, or $3,756,886, from $16,173,349 to $12,416,463, in fiscal year 2024, primarily due to an decrease of $4,876,111 in non-cash pension actuarial expense adjustments as a result of the CalPERS' investment income (based from the CalPERS Miscellaneous Risk Pool Defined Benefit Pension Plan as the June 30, 2023 measurement date) during the fiscal year ended June 30, 2023, resulting in a net pension liability position for the fiscal year ended June 30, 2024.

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, 2024, the District's General Fund reported a fund balance of $10,674,692. The District had no *unassigned fund balance*, which is available for spending or designation at the District's discretion. See Note 9 for further discussion.

General Fund Budgetary Highlights

The actual expenditures at year end were $629,404 less than budgeted. The variance is primarily due to capital outlay of $387,949, salaries and benefits of $127,372, and materials and services of $112,091 being less than budgeted. The actual revenues at year end were $201,587 more than budgeted. The actual general and program revenues at year end were $142,952, and $58,635 more than budgeted, respectively. The variance in general revenues is primarily due to property taxes of $69,209, and investment returns of $52,964, being more than budgeted. The variance in program revenues is primarily due to charges for services of $50,196 being more than budgeted. The General Fund budget to actual comparison schedule can be found on page 33.

Capital Asset Administration

The change in capital asset in 2024 was as follows:

		Balance 2023	Additions	Deletions	Balance 2024
Capital assets:					
Non-depreciable assets	$	865,065	1,048,555	(25,145)	1,888,475
Depreciable assets		34,521,366	151,141	(19,521)	34,652,986
Accumulated depreciation		(29,107,296)	(418,277)	19,521	(29,506,052)
Total capital assets, net	$	6,279,135	781,419	(25,145)	7,035,409

At the end of fiscal year 2024, the District's investment in capital assets amounted to $7,035,409 (net of accumulated depreciation). This investment in capital assets includes land, building and building improvements, and furniture and fixtures. See Note 3 for further information.

Debt Administration

The change in long-term debt in 2024 was as follows:

		Balance 2023	Additions/ Deletions	Principal Payments	Balance 2024
Long-term debt:					
Bond payable	$	5,576,000	-	(184,000)	5,392,000
Total bond payable	$	5,576,000	-	(184,000)	5,392,000

During the year, the District's debt decreased $184,000 due to principal payments. See Note 5 for further information.

Conditions Affecting Current Financial Position

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, 2024

		2024
Current assets:		
Cash and cash equivalents (note 2)	$	9,885,455
Cash and cash equivalents - restricted (note 2)		731,070
Accounts receivable		4,270
Accrued interest receivable		28,131
Property taxes receivable		555,592
Prepaid expenses and deposits		50,764
Total current assets		11,255,282
Non-current assets:		
Capital assets, net (note 3)		7,035,409
Total non-current assets		7,035,409
Total assets		18,290,691
Deferred outflows of resources:		
Deferred pension outflows (note 6)		2,920,083
Total deferred outflows of resources		2,920,083
Current liabilities:		
Accounts payable		248,885
Accrued payroll and related expenses		276,145
Accrued interest		47,180
Compensated absences (note 4)		462,127
Deferred revenue		8,380
Long-term liabilities - due within one year:		
Pension bond payable (note 5)		190,000
Total current liabilities		1,232,717
Non-current liabilities:		
Long-term liabilities - due in more than one year:		
Pension bond payable (note 5)		5,202,000
Net pension liability (note 6)		1,480,604
Total non-current liabilities		6,682,604
Total liabilities		7,915,321
Deferred inflows of resources:		
Deferred pension inflows (note 6)		200,587
Total deferred inflows of resources		200,587
Net position:		
Net investment in capital assets		7,035,409
Restricted		731,070
Unrestricted (note 8)		5,328,387
Total net position	$	13,094,866

See accompanying notes to the basic financial statements

Palos Verdes Library District
Statement of Activities
For the Fiscal Year Ended June 30, 2024

		2024
Expenses:		
Library operations:		
Salaries and benefits	$	7,958,935
Materials and services		2,318,309
Interest expense		191,958
Depreciation		418,277
Pension expense (note 6)		1,528,984
Total expenses		12,416,463
Program revenues:		
Charges for services		427,496
Operating grants and contributions		292,939
Total program revenues		720,435
Net program expense		11,696,028
General revenues:		
Property taxes		10,901,509
Investment return		397,314
Rental income		8,400
Other		28,279
Total general revenues		11,335,502
Changes in net position		(360,526)
Net position, beginning of year		13,455,392
Net position, end of year	$	13,094,866

See accompanying notes to the basic financial statements

Palos Verdes Library District
Balance Sheet — Governmental Fund
June 30, 2024

		General Fund	Reclassifications & Eliminations	Statement of Net Position
Current assets:				
Cash and cash equivalents	$	9,885,455	-	9,885,455
Cash and cash equivalents - restricted		731,070		731,070
Accounts receivable		4,270	-	4,270
Accrued interest receivable		28,131	-	28,131
Property taxes receivable		555,592	-	555,592
Prepaid expenses and deposits		50,764	-	50,764
Total current assets		11,255,282	-	11,255,282
Non-current assets:				
Capital assets, net		-	7,035,409	7,035,409
Total non-current assets		-	7,035,409	7,035,409
Total assets		11,255,282	7,035,409	18,290,691
Deferred outflows of resources:				
Deferred pension outflows		-	2,920,083	2,920,083
Total deferred outflows of resources		-	2,920,083	2,920,083
Current liabilities:				
Accounts payable	$	248,885	-	248,885
Accrued payroll and related expenses		276,145	-	276,145
Accrued interest		47,180	-	47,180
Compensated absences		-	462,127	462,127
Deferred revenue		8,380	-	8,380
Long-term liabilities - due within one year:				
Pension bond payable		-	190,000	190,000
Total current liabilities		580,590	652,127	1,232,717
Non-current liabilities:				
Long-term liabilities - due in more than one year:				
Pension bond payable		-	5,202,000	5,202,000
Net pension liability		-	1,480,604	1,480,604
Total non-current liabilities		-	6,682,604	6,682,604
Total liabilities		580,590	7,334,731	7,915,321
Deferred inflows of resources:				
Deferred pension inflows		-	200,587	200,587
Total deferred inflows of resources		-	200,587	200,587
Fund balance: (note 9)				
Nonspendable		50,764	(50,764)	-
Restricted		731,070	(731,070)	-
Committed		462,127	(462,127)	-
Assigned		8,371,442	(8,371,442)	-
Unassigned		1,059,289	(1,059,289)	-
Total fund balance		10,674,692	(10,674,692)	-
Net position:				
Net investment in capital assets			$ 7,035,409	7,035,409
Restricted			731,070	731,070
Unrestricted			5,328,387	5,328,387
Total net position			$ 13,094,866	13,094,866

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, 2024

		2024
Reconciliation:		
Fund balance of governmental funds	$	10,674,692
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		7,035,409
Deferred outflows(inflows) of resources are not financial resources(uses) and therefore, are not reported in the governmental funds balance sheet. However, they are not reported in the statement of net position as follows:		
Deferred pension outflows		2,920,083
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds. All liabilities, both current and long-term, are reported in the statement of net position as follows:		
Compensated absences		(462,127)
Pension bond		(5,392,000)
Net pension liability		(1,480,604)
Net position of governmental activities	$	13,094,866

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, 2024

	General Fund	Reclassifications & Eliminations	Statement of Activities
Expenditures/Expenses:			
Library operations:			
Salaries and benefits	$ 7,946,128	12,807	7,958,935
Materials and services	2,318,309	-	2,318,309
Debt service:			
Principal	184,000	(184,000)	-
Interest	191,958	-	191,958
Capital outlay	1,174,551	(1,174,551)	-
Depreciation	-	418,277	418,277
Pension expense	-	1,528,984	1,528,984
Total expenditures/expenses	11,814,946	601,517	12,416,463
Program revenues:			
Charges for services	427,496	-	427,496
Operating grants and contributions	292,939	-	292,939
Total program revenues	720,435	-	720,435
Net program expense			11,696,028
General revenues:			
Property taxes	10,901,509	-	10,901,509
Investment return	397,314	-	397,314
Rental income	8,400	-	8,400
Other	28,279	-	28,279
Total general revenues	11,335,502	-	11,335,502
Total revenues	12,055,937	-	
Net change in fund balance	240,991	(240,991)	-
Changes in net position	-	(360,526)	(360,526)
Fund balance/Net position, beginning of year	10,433,701	-	13,455,392
Fund balance/Net position, end of year	$ 10,674,692	-	13,094,866

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, 2024

Reconciliation:		
Net change in fund balance of governmental fund	$	240,991
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 is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period as follows:		
Capital outlay		1,174,551
Depreciation expense		(418,277)
Repayment of principal of long-term debt consumes current financial resources 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:		
Pension bond payable		184,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds as follows:		
Net change in compensated absences		(12,807)
Net change in net pension liability		(631,006)
Net change in deferred outflows (inflows) of resources		(897,978)
Changes in net position of governmental activities	$	(360,526)

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 pronouncements in the current year:

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

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

C. Financial Reporting, continued

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

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

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. Cash and Cash Equivalents

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

3. Investments and Investment Policy

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

- Los Angeles County Pooled Surplus Investments (unless the District makes a special request of the County Treasurer for placement in other lawful investments in accordance with California Government Code Section 53635.2.
- Checking and savings accounts at local financial institutions

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

4. 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

5. 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

6. Deferred Outflows of Resources

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

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. 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.

9. Deferred Inflows of Resources

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

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

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

10. 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, 2022
- Measurement date: June 30, 2023
- Measurement period: July 1, 2022 to June 30, 2023

11. 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.

12. 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.

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

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

12. Fund Balance, continued

- **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:

	2024
Cash and investments	$ 9,885,455
Cash and investments - restricted	731,070
Total	$ 10,616,525

(2) Cash and Cash Equivalents, continued

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

		2024
Petty cash	$	1,770
Deposits held with financial institutions		991,307
Deposits held with Los Angeles County Treasurer		2,025,101
Deposits held with Califonia CLASS		6,867,277
Deposits held with Benefit Trust		731,070
Total	$	10,616,525

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

	2024
Deposits in Los Angeles County Treasury Investment Pool	668 days
Deposits in California CLASS Investment Pool (CLASS)	75 days

Authorized Deposits and Investments

Under provisions of the District's investment policy, and pursuant to Education Code Section 19658, the Los Angeles County Treasurer is the investment authority for, and holder of all District Funds, except as otherwise specified and listed in Note 1(D)(3) to the financial statements.

No District officer or employee shall make, or participate in making, or use his or her official position to influence a decision regarding District investments in which he or she has a financial interest in the outcome of that decision, as provided in California Government Code Section 1090 and 87100.

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 custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code requires that a financial institution secure deposit 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.

(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.

Investment in California CLASS

The District is a voluntary participant in the California CLASS (CLASS) that is regulated by the California Government Code Section 16429 and is a Joint Powers Authority investment pool that provides the opportunity to invest funds on a cooperative basis in rated pools that are managed in accordance with state law with the primary objectives of offering Participants safety, daily, and next day liquidity, and optimized returns.

The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by CLASS for the entire CLASS portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the CLASS, which are recorded on an amortized cost basis. Bank balances are secured by the pledging of a pool of eligible securities to collateralize the District's deposits with the bank in accordance with the Code.

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

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code (where applicable), the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

		Minimum	Rating as of year-end	
Investment Type	**Total**	**legal rating**	**AAAm**	**Not rated**
Los Angeles County Treasury Investment Pool	$ 2,025,101	N/A	-	2,025,101
California CLASS	6,867,277	AAAm	6,867,277	-
	$ 8,892,378		6,867,277	2,025,101

Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for external investment pools) that represent 5% or more of the District's total investments as of June 30, 2024.

(3) Capital Assets

The change in capital assets for 2024 was as follows:

		Balance 2023	Additions	Deletions	Balance 2024
Non-depreciable assets:					
Land	$	392,194	-	-	392,194
Artwork		360,500	-	-	360,500
Construction in progress		112,371	1,048,555	(25,145)	1,135,781
Total non-depreciable assets		865,065	1,048,555	(25,145)	1,888,475
Depreciable assets:					
Land improvements		18,276	-	-	18,276
Building and building improvements		31,870,365	59,842	-	31,930,207
Furniture and fixtures		2,632,725	91,299	(19,521)	2,704,503
Total depreciable assets		34,521,366	151,141	(19,521)	34,652,986
Accumulated depreciation:					
Land improvements		(6,091)	(1,218)	-	(7,309)
Building and building improvements		(26,507,890)	(367,060)	-	(26,874,950)
Furniture and fixtures		(2,593,315)	(49,999)	19,521	(2,623,793)
Total accumulated depreciation		(29,107,296)	(418,277)	19,521	(29,506,052)
Total depreciable assets, net		5,414,070	(267,136)	-	5,146,934
Total capital assets, net	$	6,279,135			7,035,409

(4) Compensated Absences

The District's liability for compensated absences is determined annually. The change to compensated absences balance for 2024 was as follows:

	Balance 2023	Additions	Deletions	Balance 2024	Due Within One Year
$	449,320	502,680	(489,873)	462,127	231,064

(5) Long-term Debt

The change in long-term debt for 2024 was as follows:

		Balance 2023	Additions/ Deletions	Principal Payments	Balance 2024
Bond payable:					
2021 Taxable Pension obligation bond	$	5,576,000	-	(184,000)	5,392,000
Total bond payable		5,576,000	-	(184,000)	5,392,000
Current portion		(184,000)			(190,000)
Non-current portion	$	5,392,000			5,202,000

(5) 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
2025	$ 190,000	187,075	377,075
2026	197,000	180,355	377,355
2027	204,000	173,408	377,408
2028	211,000	166,198	377,198
2029	218,000	158,760	376,760
2030-2034	1,213,000	672,648	1,885,648
2035-2039	1,443,000	442,838	1,885,838
2040-2044	1,716,000	169,418	1,885,418
Total	5,392,000	2,150,700	7,542,700
Current	(190,000)		
Non-current	$ 5,202,000		

(6) 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.

(6) 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, 2024, 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	7.92%	7.75%
Required employer contribution rates	11.47%	7.68%

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, 2024, contribution to the Plan are as follows:

	2024
Contribution - employer	$ 978,034

Net Pension Liability

As of June 30, 2024, the District reported net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	2024
Proportionate share of net pension liability	$ 1,480,604

(6) Defined Benefit Pension Plan, continued

Net Pension Liability, continued

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of June 30, 2024, the net pension liability of the Plan is measured as of June 30, 2023 (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, 2022 (the valuation date), rolled forward to June 30, 2023, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's change in proportionate share of the net pension liability for the Plan's miscellaneous risk pool as of the measurement date June 30, 2023, was as follows:

	Miscellaneous	
Proportion - June 30, 2022	0.007355	%
Proportion - June 30, 2023	0.011868	
Increase in proportionate share	0.004513	%

Deferred Outflows/Inflows of Resources Related to Pension

For the year ended June 30, 2024, the District recognized pension expense of 1,528,984. As of June 30, 2024, 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 the measurement date	$	978,034	-
Differences between actual and expected experience		63,904	-
Changes in assumptions		89,391	-
Differences between actual contribution and proportionate share of contribution		-	(200,587)
Net adjustment due to differences in proportions of net pension liability		1,549,031	-
Net difference between projected and actual earnings on plan investments		239,723	-
Total	$	2,920,083	(200,587)

(6) Defined Benefit Pension Plan, continued

Deferred Outflows/Inflows of Resources Related to Pensions, continued

As of June 30, 2024, the District reported $978,034 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, 2025.

As of June 30, 2024, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ended June 30,	Deferred Net Outflows/(Inflows) of Resources
2025	$ 1,083,910
2026	588,859
2027	61,814
2028	6,879
2029	-
Thereafter	-

Actuarial Assumptions

The total pension liabilities in the June 30, 2022, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation date	June 30, 2022
Measurement date	June 30, 2023
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions	
Discount rate	6.90%
Inflation	2.30%
Salary increase	Varies by entry age and service
Mortality Table*	Derived using CalPERS membership data for all funds
Period upon which actuarial Experience survey assumptions were based	1997 – 2015
Post-retirement benefit increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on purchasing power applies

* The mortality table was developed based on CalPERS specific data. The rates incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. For more details, please refer to the 2021 experience study that can be found on the CalPERS website.

(6) Defined Benefit Pension Plan, continued

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. This discount rate is not adjusted for administrative expenses.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

The table below reflects the expected real rates of return by asset class.

Asset Class	Assumed Asset Classification	Real Return 1-10[1,2]
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

[1] An expected inflation of 2.30% used for this period.

[2] Figures are based on the 2021-22 Asset Liability Management Study.

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

As of June 30, 2024, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate that is one-percentage point higher, are as follows:

Description	Discount Rate -1% @ 5.90%	Current Discount Rate @ 6.90%	Discount Rate +1% @ 7.90%
Net pension liability	$ 5,907,887	1,480,604	(2,163,431)

Pension Plan Fiduciary Net Position

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

(7) 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 fiscal year ended June 30, 2024, the Trust earned $76,210 in dividend income and incurred $2,027 in fees. The Trust account balance at June 30, 2024 amounted to $731,070.

(8) Unrestricted Net Position

Unrestricted net position is categorized as follows:

Description	2024
Non-spendable net position:	
Prepaid expenses and deposits	$ 50,764
Spendable net position are designated as follows:	
Unrestricted	5,277,623
Total unrestricted net position	$ 5,328,387

(9) Fund Balance

Fund balance is presented in the following categories: non-spendable, restricted, committed, assigned, and unassigned (See Note 1.D.12 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, 2024, are as follows:

Description	Amount
Nonspendable:	
Prepaid expenses and deposits	$ 50,764
Restricted:	
Pension stabilization trust	731,070
Committed:	
Compensated absences	462,127
Assigned:	
Minimum balance requirement	6,221,200
Emergency reserve	1,171,742
Asset replacement	978,500
Total assigned	8,371,442
Unassigned:	
Operations	1,059,289
Total fund balance	$ 10,674,692

(10) 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, 2024, were $2,114,699 and $1,267,329, respectively.

(11) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District, as a member of the Special District Risk Management Authority (SDRMA), has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources. SDRMA's purpose is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2024, 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, 2024, 2023, and 2022 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, 2024.

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

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

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled.

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

Governmental Accounting Standards Board Statement No. 101, continued

In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 102

In December 2023, the GASB issued Statement No. 102 – Certain Risk Disclosures. The primary objective of this Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 103

In April 2024, the GASB issued Statement No. 103 – Financial Reporting Model Improvements. The primary objective of this Statement is to improve key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a government's accountability. Also, this Statement: (1) continues the requirement that the basic financial statements be preceded by management's discussion and analysis (MD&A), which is presented as required supplementary information (RSI); (2) describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence; (3) requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses; (4) requires governments to present each major component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements; and (5) requires governments to present budgetary comparison information using a single method of communication—RSI.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

(13) 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.

(14) Subsequent Events

Events occurring after June 30, 2024, have been evaluated for possible adjustment to the financial statements or disclosure as of October 17, 2024, which is the date the financial statements were available to be issued.

In August 2024, the District's Board approved the termination of the Section 115 Trust with its program administrator. The funds in the Section 115 Trust were transferred to the District's Pension Fund account at California CLASS.

Except for the above, the District is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

Palos Verdes Library District
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2024

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	$ 8,177,700	(104,200)	8,073,500	7,946,128	127,372
Materials and services	2,310,300	120,100	2,430,400	2,318,309	112,091
Principal payment on debt	184,000	-	184,000	184,000	-
Interest expense	193,900	50	193,950	191,958	1,992
Capital outlay	1,665,000	(102,500)	1,562,500	1,174,551	387,949
Total expenditures/expenses	12,530,900	(86,550)	12,444,350	11,814,946	629,404
Program revenues:					
Charges for services	381,800	(4,500)	377,300	427,496	50,196
Operating grants and contributions	284,500	-	284,500	292,939	8,439
Total program revenues	666,300	(4,500)	661,800	720,435	58,635
General revenues:					
Property taxes	10,832,300	-	10,832,300	10,901,509	69,209
Investment return	255,000	89,350	344,350	397,314	52,964
Rental income	8,400	-	8,400	8,400	-
Other	-	7,500	7,500	28,279	20,779
Total general revenues	11,095,700	96,850	11,192,550	11,335,502	142,952
Total revenues	11,762,000	92,350	11,854,350	12,055,937	201,587
Net change in fund balance	(768,900)	178,900	(590,000)	240,991	830,991
Fund balance, beginning of year	10,433,701		10,433,701	10,433,701	
Fund balance, end of year	$ 9,664,801		9,843,701	10,674,692	

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, 2024
Last Ten Years*

Defined Benefit Pension Plan

	Measurement Dates									
Description	06/30/23	06/30/22	06/30/21	06/30/20	06/30/19	06/30/18	06/30/17	06/30/16	06/30/15	06/30/14
District's proportion of the net pension liability(asset)	0.01187%	0.00736%	-0.08543%	0.05299%	0.05200%	0.05033%	0.05112%	0.05145%	0.04690%	0.05113%
District's proportionate share of the net pension liability(asset)	$ 1,480,604	849,598	(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 payroll	4,594,438	4,203,735	4,340,422	4,391,706	4,226,646	3,998,470	3,841,609	3,845,400	3,514,104	3,171,513
District's proportionate share of the net pension liability(asset) as a percentage of covered payroll	32.23%	20.21%	-106.45%	131.28%	126.08%	121.29%	131.97%	115.78%	91.60%	97.83%
Plan's proportionate share of fiduciary net position as a percentage of total pension liability	76.21%	76.68%	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	80.43%

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 2023, there were no changes to actuarial assumptions or methods.

In fiscal year 2022, the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term.

The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

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.

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

Change of Assumptions and Methods, continued

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.

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, 2024
Last Ten Years*

Defined Benefit Pension Plan

Description		Fiscal Years Ended 06/30/24	06/30/23	06/30/22	06/30/21	06/30/20	06/30/19	06/30/18	06/30/17	06/30/16	06/30/15
Actuarially determined contribution	$	478,034	423,275	382,772	718,827	675,536	601,723	526,407	492,046	436,015	420,029
Contributions in relation to the actuarially determined contribution		(978,034)	(423,275)	(382,772)	(6,642,827)	(845,536)	(701,723)	(626,407)	(692,046)	(436,015)	(420,029)
Contribution deficiency (excess)	$	(500,000)	-	-	(5,924,000)	(170,000)	(100,000)	(100,000)	(200,000)	-	-
Covered-employee payroll	$	4,952,423	4,594,438	4,203,735	4,340,422	4,391,706	4,226,646	3,998,470	3,841,609	3,845,400	3,514,104
Contributions as a percentage of covered-employee payroll		19.75%	9.21%	9.11%	153.05%	19.25%	16.60%	15.67%	18.01%	11.34%	11.95%

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
Rolling Hills Estates, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Palos Verdes Library District (District) as of and for the year ended June 30, 2024, 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 17, 2024.

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.

C.J. Brown & Company, CPAs

C.J. Brown & Company, CPAs
Cypress, California
October 17, 2024