



SCLC Audit and Finance Committee
Conference Call
Thursday, April 25, 2019
10 a.m.

At the following possible locations:
20 W. Duarte Rd., Arcadia 91006
729 N. Dalton Ave., Azusa 91702
140 S. Glendora Ave., Glendora 91741
700 E. Palmdale Blvd., Palmdale 93550
303 N. Pacific Coast Hwy., Redondo Beach 90277
11700 Telegraph Rd., Santa Fe Springs 90670

To participate in the conference call, at the designated time:

Please dial: (877) 216-1555
Enter passcode: 407497#

If you have any questions or problems, please call SCLC Headquarters, (626) 427-3418.

Agenda

1. Public Forum
2. Investments Review for compliance and performance
3. Investment Policy
Confirm that authorized staff is meeting the terms of the SCLC Investment Policy and California law at the start of each year.
4. Review and acceptance of Annual Financial Report and Single-Audit Report, June 30, 2018
5. Reserve Fund Recommendation
6. CalPERS Liability
7. LAIF Resolution
8. Other
9. Adjournment

All items may be considered for action



ACTION ITEMS

Meeting: _____ Audit and Finance Committee Conference Call _____

Date: _____ April 25, 2019 _____

Library: _____

Name: _____

Signature: _____ Date: _____

Agenda Item: _____

___ Aye

___ Nay

___ Abstain

Agenda Item: _____

___ Aye

___ Nay

___ Abstain

Agenda Item: _____

___ Aye

___ Nay

___ Abstain

Agenda Item: _____

___ Aye

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Agenda Item: _____

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Agenda Item: _____

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Agenda Item: _____

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Agenda Item: _____

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Name: _____

Signature: _____

Date: _____

Agenda Item: _____

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Agenda Item: _____

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Agenda Item: _____

___ Aye

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Agenda Item: _____

___ Aye

___ Nay

___ Abstain

Agenda Item: _____

___ Aye

___ Nay

___ Abstain

Agenda Item: _____

___ Aye

___ Nay

___ Abstain

Southern California Library Cooperative
Investments Report
as of March 31, 2019

Local Agency Investment Fund (LAIF) Balance \$1,852,509.82



CALIFORNIA STATE TREASURER
FIONA MA, CPA



PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
03/11/19	2.43	2.38	187
03/12/19	2.43	2.38	185
03/13/19	2.43	2.38	184
03/14/19	2.44	2.38	184
03/15/19	2.44	2.38	183
03/16/19	2.44	2.39	183
03/17/19	2.44	2.39	183
03/18/19	2.44	2.39	179
03/19/19	2.44	2.39	178
03/20/19	2.44	2.39	177
03/21/19	2.44	2.39	178
03/22/19	2.44	2.39	177
03/23/19	2.44	2.39	177
03/24/19	2.44	2.39	177
03/25/19	2.44	2.39	175
03/26/19	2.44	2.39	174
03/27/19	2.44	2.39	175
03/28/19	2.44	2.39	176
03/29/19	2.44	2.39	181
03/30/19	2.44	2.39	181
03/31/19	2.44	2.39	179
04/01/19	2.44	2.44	179
04/02/19	2.44	2.44	184
04/03/19	2.44	2.44	182
04/04/19	2.44	2.44	179
04/05/19	2.44	2.44	179
04/06/19	2.44	2.44	179
04/07/19	2.44	2.44	179
04/08/19	2.44	2.44	181
04/09/19	2.45	2.43	182
04/10/19	2.45	2.43	181

*Daily yield does not reflect capital gains or losses

[View Prior Month Daily Rates](#)

LAIF Performance Report

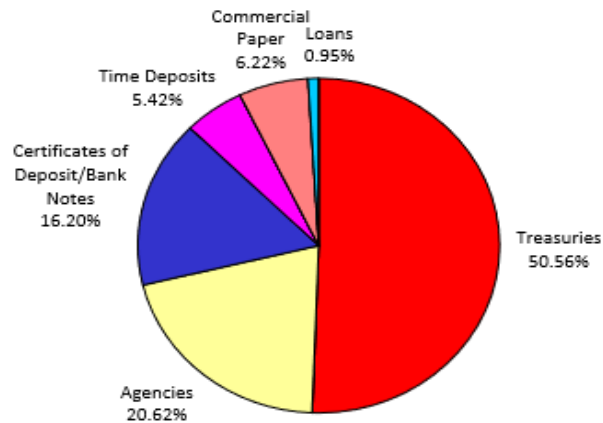
Quarter Ending 12/31/18

Apportionment Rate: 2.40
Earnings Ratio: 0.00006573663340150
Fair Value Factor: 0.999051127
Daily: 2.32%
Quarter to Date: 2.21%
Average Life: 192

PMIA Average Monthly Effective Yields

Mar 2019 2.436
Feb 2019 2.392
Jan 2019 2.355

**Pooled Money Investment Account
Portfolio Composition
03/31/19
\$86.9 billion**



Percentages may not total 100% due to rounding

Southern California Library Cooperative (SCLC) Investment Policy

Approved by the SCLC Administrative Council 11/18/09

Introduction

The SCLC Investment Policy has been prepared in accordance with state law. It is reviewed annually by the SCLC Audit & Finance Committee and approved by the SCLC Administrative Council. The purpose of this policy is to establish investment guidelines for the designated investment manager.

Fiduciary Responsibility

SCLC Administrative Council is committed to ensure that the prudent investor standard and all applicable legal requirements are met whenever the agency is investing and managing public funds.

Portfolio Objectives

1. Safeguard investment principal.
2. Maintain sufficient liquidity to meet daily cash flow requirements.
3. Achieve a reasonable rate of return or yield.

Authority

SCLC Administrative Council delegates to the Business Manager and the Executive Director as agents for a period of one year its authority to invest or reinvest funds to sell or exchange securities held by the agency per California Government Code, Section 53607. The SCLC Audit & Finance Committee will confirm that the authorized staff is meeting the terms of the SCLC Investment Policy and California Law at the start of each fiscal year.

Authorized Investments

Restricted to those authorized by California Government Code and further by the restrictions shown in Schedule A.

Prohibited Investments

Inverse floaters, range notes, interest-only strips that are derived from a pool of mortgages, nor any other investment that could result in zero interest if held to maturity. Also, mutual bond funds that do not maintain a constant Net Asset Value (NAV) and illiquid investment which lack a readily available market for trading.

Staff Authorized to Make Investments

Business Manager AND Executive Director (both must authorize).

Authorized Investment Agent

The SCLC Audit & Finance Committee may authorize a broker/dealer to serve as the investment agent for SCLC. This assignment will be made on a fiscal year basis by majority vote of the SCLC Audit & Finance Committee and approved by the SCLC Administrative Council.

Accountability and Control

The authorized agent will prepare timely monthly and annual reports to monitor performance and satisfy auditing requirements. The Business Manager will review the subject reports and monitor all investment activity. The SCLC Audit & Finance Committee will conduct a quarterly review of the investment portfolio for compliance and performance.

Liquidity

SCLC will maintain balances in liquid public checking, savings, and money market accounts to handle all projected cash needs throughout the budgeted fiscal year.

Withdrawal of Funds

The Executive Director and the Business Manager may transfer funds between investment accounts and the checking account to meet the day-to-day cash flow needs of the organization. All transfers TO the checking account must be approved by both the Business Manager and the Executive Director.

Any excess cash that is not required for the day-to-day cash flow needs of the organization should be transferred to investment accounts in a timely manner to maximize the returns on the organization's investments.

Two approvals are required when the funds being withdrawn from an investment account will be in the form of a check. One of the approvals will be the chair of the Audit and Finance Committee, with the second approval being either the Executive Director or the Administrative Officer. If the Audit and Finance Committee Chair is unavailable, a member of the Executive Committee may give their approval. Requests for funds withdrawals in the form of a check must be made in writing (e.g., e-mail) and must include the following:

- reason for the request
- what the funds will be used for
- who the payee will be

Schedule A

Approved Investments:

Investment Type	Maximum Maturity	Maximum %	Minimum Requirements
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State of California Obligations	5 years	None	None
CA Local Agency Obligations	5 years	None	None
U.S. Agencies	5 years	None	None
Bankers' Acceptances	180 days	40% (30%/Bank)	None
Commercial Paper (Select)	270 days	25%	A-1/P-1/F-1; (2)
Commercial Paper (Other)	270 days	40%	A-1/P-1/F-1; (2)
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements & Securities Lending Agreements (3)	92 days	20% (base)	None
Medium-Term Notes	5 years	30%	"A" rating
Mutual Funds	N/A	20%	(4)
Money Market Mutual Funds	N/A	20%	(4)
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	"AA" Rating
Time Deposits	5 years	None	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund	N/A	None	None

1. Maximum term for any investment is five years.
2. If the agency's issuer has issued long-term debt it must be rated "A" without regard to modifiers.
3. See detailed restrictions for Reverse Repurchase Agreements.
4. Must receive the highest ranking by not less than two nationally recognized rating agencies or retain an investment advisor who is registered with the SEC and who has not less than 5 years experience in investing money market investments with assets under management in excess of \$500 million.

Schedule B

Authorized signatures for Investment Accounts per Withdrawal of Funds:

| Chair of the SCLC Audit & Finance Committee
Business Manager
Executive Director
Administrative Officer



Agenda Item #4

DATE: April 25, 2019
TO: SCLC Audit & Finance Committee
FROM: Carol Dinuzzo, Controller, SCLC
SUBJECT: Audit Report

BACKGROUND:

AUDIT: Due to an increase in grant income, SCLC grant expenditures again exceeded the threshold of \$750,000. Therefore, a Single Audit was conducted in addition to the Financial Statement Audit. Both documents are included in the packet for your review.

INVESTMENTS: The investment overview (see Item #2) reflects the current balance and status of SCLC's LAIF account. Funds were transferred out of both the Capital One and the County of Los Angeles (South State) and closed. The Local Agency Investment Fund (LAIF) reflects a capital gain of \$36,484 over the last year.

RESERVE FUNDS: LAIF is the only remaining investment fund. The remaining reserve funds are maintained in the SCLC operating account.

FISCAL IMPACT: None at this time.

RECOMMENDATION: Recommend Council acceptance of the Annual Audited Financial Statements and Single-Audit Report, June 30, 2018.

Southern California Library Cooperative

248 East Foothill Boulevard • Suite 101 • Monrovia, California 91016

(626) 283-5949 • Fax (626) 283-5949

Website: <http://www.socallibraries.org> • E-mail: scchq@socallibraries.org



Southern California Library Cooperative

Annual Financial Report

For the Fiscal Year Ended June 30, 2018

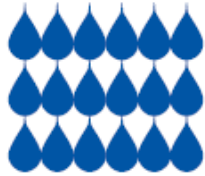
Southern California Library Cooperative
Annual Financial Report
For the Fiscal Year Ended June 30, 2018

**Southern California Library Cooperative
Annual Financial Report
For the Fiscal Year Ended June 30, 2018**

Table of Contents

	<u>Page No.</u>
Table of Contents	i
 Financial Section	
Independent Auditor’s Report	1-2
Management’s Discussion and Analysis	3-6
Basic Financial Statements:	
Government-wide Financial Statements:	
Statements of Net Position	7
Statements of Activities	8
Fund Financial Statements:	
Balance Sheet of Governmental Type Fund	9
Reconciliation of the Balance Sheet of Governmental Type Fund to the Statements of Net Position	10
Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Type Fund	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Type Fund to the Statements of Activities	12
Statement of Fiduciary Net Position	13
Statement of Fiduciary Activities	14
Notes to the Basic Financial Statements	15-32
 Required Supplementary Information Section	
Budgetary Comparison Schedule – General Fund	33
Notes to Required Supplementary Information	33
Schedules of the Cooperative’s Proportionate Share of the Net Pension Liability	34
Schedules of Pension Plan Contributions	35
Schedule of Changes in the Cooperative’s Total OPEB Liability and Related Ratios	36
 Report on Compliance and Internal Controls	
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 <i>Government Auditing Standards</i>	37-38

Financial Section



Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Andy Beck, CPA

Fedak & Brown LLP

Certified Public Accountants

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
1945 Chicago Avenue, Suite C-1
Riverside, California 92507
(951) 783-9149

Independent Auditor's Report

Administrative Council
Southern California Library Cooperative
Pasadena, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Southern California Library Cooperative (Cooperative) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Southern California Library Cooperative as of June 30, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, and the required supplementary information on pages 33 through 36, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report, dated March 31, 2019, on our consideration of the Cooperative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. That report can be found on pages 37 and 38.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
March 31, 2019

Southern California Library Cooperative
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2018

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

Financial Highlights

- In fiscal year 2018, the Cooperative's net position increased 2.81%, or \$19,185 due to a decrease from transfer out of \$170,721; which was offset by an increase from ongoing operations of \$189,906.
- The Cooperative's total revenues increased by 26.49%, or \$1,157,556 to \$5,527,312 from \$4,369,756, in fiscal year 2018.
- The Cooperative's total expenses increased 17.51%, or \$795,134 to \$5,337,406 from \$4,542,272, in fiscal year 2018.

Using This Financial Report

This annual report consists of a series of financial statements. The Statements of Net Position and the Statements of Activities provide information about the activities and performance of the Cooperative using accounting methods similar to those used by private sector companies. The Statements of Net Position include all of the Cooperative'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 Cooperative and assessing the liquidity and financial flexibility of the Cooperative. All of the current year's revenue and expenses are accounted for in the Statements of Activities. These statements measure the success of the Cooperative's operations over the past year and can be used to determine the Cooperative's profitability and credit worthiness.

Government-wide Financial Statements

Statements of Net Position and Statements of Activities

One of the most important questions asked about the Cooperative's finances is, "Is the Cooperative better off or worse off as a result of this year's activities?" The Statements of Net Position and the Statements of Activities report information about the Cooperative 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 Cooperative's *net position* and changes in them. Think of the Cooperative's net position – the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources – as one way to measure the Cooperative's financial health, or *financial position*. Over time, *increases or decreases* in the Cooperative's net position are one indicator of whether its *financial health* is improving or deteriorating.

Southern California Library Cooperative
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2018

Governmental Funds Financial Statements

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

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

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

Government-wide Financial Analysis

Condensed Statements of Net Position

	2018	2017	Change
Assets:			
Current assets	\$ 5,816,424	6,963,771	(1,147,347)
Capital assets, net	2,194	9,791	(7,597)
Total assets	5,818,618	6,973,562	(1,154,944)
Deferred outflows of resources	395,199	194,709	200,490
Liabilities:			
Current liabilities	2,925,807	4,155,159	(1,229,352)
Non-current liabilities	2,349,603	2,110,168	239,435
Total liabilities	5,275,410	6,265,327	(989,917)
Deferred inflows of resources	235,816	219,538	16,278
Net position:			
Net investment in capital assets	2,194	9,791	(7,597)
Unrestricted	700,397	673,615	26,782
Total net position	\$ 702,591	683,406	19,185

Southern California Library Cooperative
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2018

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 Cooperative, assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$702,397, as of June 30, 2018.

A portion of the Cooperative's net position, 0.31% or \$2,194, reflects its investment in capital assets (net of accumulated depreciation); less any related debt used to acquire those assets that are still outstanding. The Cooperative uses these capital assets to operate the Cooperative; consequently, these assets are *not* available for future spending. At the end of fiscal year 2018, the Cooperative shows a positive balance in its unrestricted net position of \$700,397 that may be utilized in future years.

Condensed Statements of Activities

<i>Governmental Activities:</i>	<u>2018</u>	<u>2017</u>	<u>Change</u>
Expenses:			
Cooperative operations	\$ 5,337,406	4,542,272	795,134
Total expenses	<u>5,337,406</u>	<u>4,542,272</u>	<u>795,134</u>
Program revenues	5,401,484	4,130,969	1,270,515
General revenues	125,828	238,787	(112,959)
Total revenues	<u>5,527,312</u>	<u>4,369,756</u>	<u>1,157,556</u>
Transfer out	(170,721)	-	(170,721)
Change in net position	<u>19,185</u>	<u>(172,516)</u>	<u>191,701</u>
Net position – beginning of period	683,406	855,922	(172,516)
Net position – end of period	<u>\$ 702,591</u>	<u>683,406</u>	<u>19,185</u>

The statements of activities show how the government's net position changes during the fiscal year. In the case of the Cooperative, net position increased by \$19,185 due to a decrease from transfer out of \$170,721; which was offset by an increase from ongoing operations of \$189,906.

In fiscal year 2018, the Cooperative's total revenues increased by 26.49%, or \$1,157,556 to \$5,527,312 from \$4,369,756 due primarily to increases of charges for services of \$177,829 and grant revenues of \$1,107,819; which was offset by a increase in other expenses.

In fiscal year 2018, the Cooperative's total expenses increased 17.51%, or \$795,134 to \$5,337,406 from \$4,542,272 due primarily to increases of grant revenues of \$854,835 and salaries of \$119,421; which were offset by decreases of \$111,456 in materials and services and \$67,666 in employee benefits.

Governmental Funds Financial Analysis

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

As of June 30, 2018, the Cooperative's General Fund reported a fund balance of \$2,924,975. An amount of \$2,883,424 constitutes the Cooperative's *unassigned fund balance*, which is available for future expenditures.

Southern California Library Cooperative
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2018

General Fund Budgetary Highlights

In 2018, the actual expenditures at year end were \$4,591,348 more than budgeted. The variance is due primarily to actual Federal and State grant expenditures more than budget.

Actual revenues were greater than the anticipated budget by \$4,038,634, primarily due to greater than budgeted Federal and State grant revenues. The General Fund budget to actual comparison schedule can be found on page 33.

Capital Asset Administration

At the end of fiscal year 2018, the Cooperative's investment in capital assets amounted to \$2,194 (net of accumulated depreciation). This investment in capital assets includes equipment, furniture, and fixture. (See note 3 for further information)

Changes in capital assets for 2018, were as follows:

Changes in capital assets for 2015 were as follows:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2018</u>
Depreciable assets:				
Equipment, furniture, and fixture	\$ 115,177	-	(5,414)	109,763
Total depreciable assets	115,177	-	(5,414)	109,763
Accumulated depreciation	(105,386)	(4,138)	1,955	(107,569)
Total depreciable assets, net	<u>9,791</u>	<u>(4,138)</u>	<u>(3,459)</u>	<u>2,194</u>

Conditions Affecting Current Financial Position

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

Requests for Information

The Cooperative's basic financial statements are designed to present users with a general overview of the Cooperative's finances and to demonstrate the Cooperative's accountability. If you have any questions about the report or need additional information, please contact the Cooperative at the Southern California Library Cooperative, 254 North Lake Avenue, No. 874, Pasadena, California 91101.

Basic Financial Statements

Southern California Library Cooperative
Statements of Net Position
June 30, 2018
With comparative amount for June 30, 2017

	2018	2017
Assets:		
Cash and cash equivalents (note 2)	\$ 5,611,135	6,625,630
Accrued interest receivable	8,649	4,149
Accounts receivable	99,563	170,765
Grants receivable	89,884	150,383
Prepaid expenses and deposits	7,193	12,844
Capital assets, net (note 3)	2,194	9,791
Total assets	5,818,618	6,973,562
Deferred outflows of resources:		
Deferred pension outflows (note 6)	395,199	194,709
Total deferred outflows of resources	395,199	194,709
Liabilities:		
Accounts payable and accrued expenses	479,438	188,163
Due to other fund	3,497	-
Compensated absences (note 4)	34,358	29,170
Deposits from members	462,814	3,467
Unearned revenues	1,945,700	3,934,359
Net pension liability (note 6)	1,570,767	1,349,435
Other post-employment benefit payable (note 5)	778,836	760,733
Total liabilities	5,275,410	6,265,327
Deferred inflows of resources:		
Deferred pension inflows (note 6)	235,816	219,538
Total deferred inflows of resources	235,816	219,538
Net position:		
Net investment in capital assets	2,194	9,791
Unrestricted	700,397	673,615
Total net position	\$ 702,591	683,406

See accompanying notes to the basic financial statements

Southern California Library Cooperative
Statements of Activities
For the Fiscal Year Ended June 30, 2018
With comparative amounts June 30, 2017

<i>Governmental Activities:</i>	2018	2017
Expenses:		
Cooperative operations:		
Salaries and wages	\$ 474,569	355,148
Employee benefits	235,115	302,781
Materials and services	208,763	320,219
Communication and delivery	312,808	113,464
Grant expense – Federal	1,678,237	1,154,308
Grant expense – State	2,423,776	2,290,410
Depreciation expense	4,138	5,942
Total expenses	5,337,406	4,542,272
Program revenues:		
Charges for services	267,002	89,173
California State Library Act apportionment	454,014	256,393
Operating grant – Federal	1,896,675	1,299,489
Operating grant – State	2,436,102	2,123,090
Program reimbursement	347,691	362,824
Total program revenues	5,401,484	4,130,969
Net program expense	64,078	(411,303)
General revenues:		
Member and associate dues	214,314	213,568
Interest earnings	24,158	17,118
Other revenues(expenses), net	(112,644)	8,101
Total general revenues	125,828	238,787
Transfer out	(170,721)	-
Changes in net position	19,185	(172,516)
Net position – beginning of period	683,406	855,922
Net position – end of period	\$ 702,591	683,406

See accompanying notes to the basic financial statements

Southern California Library Cooperative
Balance Sheet of Governmental Type Fund
June 30, 2018

	General Fund	Reclassifications & Eliminations	Statements of Net Position
Assets:			
Cash and cash equivalents	\$ 5,611,135	-	5,611,135
Accrued interest receivable	8,649	-	8,649
Accounts receivable	99,563	-	99,563
Grants receivable	89,884	-	89,884
Prepaid expenses and deposits	7,193	-	7,193
Capital assets, net	-	2,194	2,194
	Total assets	2,194	5,818,618
Deferred outflows of resources:			
Deferred pension outflows	-	395,199	395,199
	Total deferred outflows of resources	395,199	395,199
Liabilities:			
Accounts payable and accrued expenses	479,438	-	479,438
Due to other fund	3,497	-	3,497
Compensated absences	-	34,358	34,358
Deposits from members	462,814	-	462,814
Unearned revenue	1,945,700	-	1,945,700
Net pension liability	-	1,570,767	1,570,767
Other post-employment benefit payable	-	778,836	778,836
	Total liabilities	2,383,961	5,275,410
Deferred inflows of resources:			
Deferred pension inflows	-	235,816	235,816
	Total deferred inflows of resources	235,816	235,816
Fund balance: (note 7)			
Nonspendable	7,193	(7,193)	-
Assigned	34,358	(34,358)	-
Unassigned	2,883,424	(2,883,424)	-
	Total fund balance	(2,924,975)	-
	Total liabilities and fund balance	\$ 5,816,424	
Net position:			
Net investment in capital assets		\$ 2,194	2,194
Unrestricted		700,397	700,397
		Total net position	\$ 702,591

See accompanying notes to the basic financial statements

**Southern California Library Cooperative
Reconciliation of the Balance Sheet of Governmental
Type Fund to the Statements of Net Position
June 30, 2018**

Reconciliation:

Fund balance of governmental funds	\$	2,924,975
<p>Amounts reported for governmental activities in the statements of net position is different because:</p>		
<p>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.</p>		
Capital assets, net		2,194
Deferred pension outflows		395,199
<p>Long-term liabilities and deferred inflows of resources applicable to the Cooperative are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities both current and long-term, are reported in the statements of net position.</p>		
Compensated absences		(34,358)
Net pension liability		(1,570,767)
Other post-employment benefits payable		(778,836)
Deferred pension inflows		(235,816)
		(2,619,777)
Net position of governmental activities	\$	702,591

See accompanying notes to the basic financial statements

Southern California Library Cooperative
Statement of Revenues, Expenditures, and Changes in
Fund Balance of Governmental Type Fund
For the Fiscal Year Ended June 30, 2018

	<u>General Fund</u>	<u>Reclassifications & Eliminations</u>	<u>Statements of Activities</u>
Expenditures/Expenses:			
Cooperative operations:			
Salaries and wages	\$ 469,381	5,188	474,569
Employee benefits	179,892	55,223	235,115
Materials and services	208,763	-	208,763
Communication and delivery	312,808	-	312,808
Grant expense – Federal	1,678,237	-	1,678,237
Grant expense – State	2,423,776	-	2,423,776
Capital outlay	(3,459)	3,459	-
Depreciation	-	4,138	4,138
Total expenditures/expenses	<u>5,269,398</u>	<u>68,008</u>	<u>5,337,406</u>
Program revenues:			
Charges for services	267,002	-	267,002
California State Library Act apportionment	454,014	-	454,014
Operating grant – Federal	1,896,675	-	1,896,675
Operating grant – State	2,436,102	-	2,436,102
Program reimbursement	347,691	-	347,691
Total program revenues	<u>5,401,484</u>	<u>-</u>	<u>5,401,484</u>
Net program expense			<u>64,078</u>
General revenues:			
Member and associate dues	214,314	-	214,314
Interest earnings	24,158	-	24,158
Other income(expense), net	(112,644)	-	(112,644)
Total general revenues	<u>125,828</u>	<u>-</u>	<u>125,828</u>
Total revenues	<u>5,527,312</u>	<u>-</u>	
Excess of revenues over expenditures	257,914		
Other financing uses:			
Transfer out	(170,721)	-	(170,721)
Net changes in fund balance	87,193	(87,193)	-
Changes in net position	-	19,185	19,185
Fund balance/Net position – beginning of period	<u>2,837,782</u>	<u>-</u>	<u>683,406</u>
Fund balance/Net position – end of period	<u>\$ 2,924,975</u>	<u>-</u>	<u>702,591</u>

See accompanying notes to the basic financial statements

Southern California Library Cooperative
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of Governmental Type Funds to the Statements of Activities
For the Fiscal Year Ended June 30, 2018

Reconciliation:

Net changes in fund balance of governmental fund	\$	87,193
<p>Amounts reported for governmental activities in the statements of activities are different because:</p>		
<p>Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenses in governmental funds as follows:</p>		
Net change in compensated absences		(5,188)
Net change in employee benefit		(55,223)
<p>Governmental funds report capital outlay as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p>		
		<u>(7,597)</u>
Changes in net position of governmental activities	\$	<u><u>19,185</u></u>

See accompanying notes to the basic financial statements

Southern California Library Cooperative
Statement of Fiduciary Net Position
June 30, 2018

		<u>2018</u>
Assets:		
Cash and cash equivalents (note 2)	\$	222,180
Accounts receivable		82
Due from other fund		<u>3,497</u>
Total assets		<u>225,759</u>
Liabilities:		
Deposits from members		<u>225,759</u>
Total liabilities		<u>225,759</u>
Net position:		
Held in trust for member library benefits		<u>-</u>
Total net position	\$	<u><u>-</u></u>

See accompanying notes to the basic financial statements

**Southern California Library Cooperative
Statement of Fiduciary Activities
For the Year Ended June 30, 2018**

		<u>2018</u>
Additions:		
Member library reimbursements	\$	<u>2,442</u>
Total additions		<u>2,442</u>
Deductions:		
Program expenses		<u>2,442</u>
Total deductions		<u>2,442</u>
Changes in net position		<u>-</u>
Net position – beginning of period		<u>-</u>
Net position – end of period	\$	<u><u>-</u></u>

See accompanying notes to the basic financial statements

Southern California Library Cooperative
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Southern California Library Cooperative (Cooperative) is an association of 38 independent cities and special Cooperative public libraries located in Los Angeles and Ventura counties, which have agreed to cooperate in providing library service to the residents of all participating jurisdictions. The Cooperative provides member libraries a resource-sharing network and a means for enhancing the level and diversity of resources available to library users, while reducing duplication of effort.

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of the Cooperative are comprised 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 Cooperative's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, are included in the accompanying Statements of Net Position. The Statements of Activities present changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statements of Activities demonstrate the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the Cooperative 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 not properly included among program revenues are reported instead as general revenues.

Governmental Fund Financial Statements

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

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under 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 earned. The primary sources susceptible to accrual for the Cooperative are interest earnings, rental 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.

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

B. Basis of Accounting and Measurement Focus, continued

Governmental Fund Financial Statements, continued

The Cooperative reports the following major governmental funds:

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

Fiduciary Fund Financial Statements

These statements include a Statement of Fiduciary Net Position and a Statement of Fiduciary Activities. Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds report assets held in a trustee or agency capacity for others and, therefore, cannot be used to support the Cooperative’s own programs. Financial statements of fiduciary funds are reported using the *economic resources* measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans.

The Cooperative reports the following major fiduciary funds:

Agency Fund – reports resources held by the Cooperative in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

C. Financial Reporting

The Cooperative’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 Cooperative has adopted the following GASB pronouncements in the current year:

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

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

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

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

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

C. Financial Reporting, continued

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

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

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/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 Cooperative net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

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

3. Investments and Investment Policy

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

- Checking and savings accounts at financial institutions
- California Local Agency Investment Fund (LAIF)

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.

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

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

5. Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets are equipment, and furniture and fixtures. The Cooperative 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 Cooperative's capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Equipment, and furniture and fixtures – 3 to 5 years

6. Deferred Outflows of Resources

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

7. Compensated Absences

The Cooperative's policy is to permit employees to accumulate earned but unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured; for example, as a result of employee resignations and retirements.

8. Deferred Inflows of Resources

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

9. Pensions

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

10. Net Position

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

- **Net investment in capital assets** – this component of net position consists of capital assets, net of accumulated depreciation, and reduced by any outstanding debt against the acquisition, construction, or improvement of those assets.
- **Restricted net position** – this component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

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

10. Net Position, continued

- **Unrestricted net position** – this component of net position consists of the net amount of assets that are not included in the determination of *restricted* or *net investment in capital assets*.

11. Fund Balance

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

- **Nonspendable fund balance** – amounts that cannot be spent because they are either (a) not spendable in form, or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions enabling legislation.
- **Committed fund balance** – amounts that can only be used for specific purposes determined by formal action of the Cooperative’s highest level of decision-making authority (the Administrative Council) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** – amounts that are constrained by the Cooperative’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 Cooperative’s special revenue funds.
- **Unassigned fund balance** – the residual classification for the Cooperative’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 Administrative Council establishes, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of a budget and subsequent budget amendments that occur throughout the year.

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

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

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

11. Fund Balance, continued

Fund Balance Policy, continued

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

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

(2) Cash and Cash Equivalents

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

	2018
General fund	
Petty cash	\$ 501
Deposits held in financial institutions	3,791,266
Deposits held with the California Local Agency Investment Fund (LAIF)	1,819,368
Total General fund	5,611,135
Fiduciary fund	
Deposits held in financial institutions	222,180
Total Fiduciary fund	222,180
Total cash and cash equivalent	\$ 5,833,315

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

	2018
Deposits held with the California Local Agency Investment Fund (LAIF)	193 days

Authorized Deposits and Investments

The Cooperative has adopted an investment policy directing the Fiscal Officer to deposit funds in financial institutions. Investments are to be made in the California Local Agency Investment Fund (LAIF) and other highly liquid investments.

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(2) Cash and Cash Equivalents, continued

Cash with California Local Agency Investment Fund

The Cooperative is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Cooperative's investment in LAIF is reported in the accompanying financial statements at amounts based upon the Cooperative's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

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

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transaction processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of \$1,000.
- Withdrawals of \$10,000,000 or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Code and the Cooperative's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits other than the following provision for deposits: The 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 Cooperative'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 Cooperative'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).

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has, the greater its fair value has sensitivity to changes in market interest rates. The Cooperative'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.

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(2) Cash and Cash Equivalents, continued

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2018, the Cooperative's investment in LAIF is unrated.

(3) Capital Assets

Change in capital assets for 2018 was as follows:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2018</u>
Depreciable assets:				
Equipment, furniture, and fixtures	\$ 115,177	-	(5,414)	109,763
Total depreciable assets	115,177	-	(5,414)	109,763
Accumulated depreciation	(105,386)	(4,138)	1,955	(107,569)
Total depreciable assets, net	9,791	(4,138)	(3,459)	2,194
Total capital assets, net	\$ 9,791			2,194

(4) Compensated Absences

Change in compensated absences for 2018 was as follows:

	<u>Balance 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2018</u>
\$	29,170	28,323	(23,135)	34,358

(5) Other Post-Employment Benefits Payable

Plan Description

The Cooperative's defined benefit OPEB plan (Plan) provides OPEB for all permanent full-time employees. The Plan is a single-employer defined benefit OPEB plan administered by the Cooperative. The Cooperative's Administrative Council has the authority to establish and amend the benefit terms and financing requirements of the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The Plan provides solely medical benefits to only the retirees through CalPERS. The benefit terms provide for payment of 100% of health insurance premiums for retirees up to a cap of \$7,200 per year starting at a minimum age of 50 and for the retirees' lifetime.

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(5) Other Post-Employment Benefits Payable, continued

Employees Covered by Benefit Terms

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

	2018
Inactive employees or beneficiaries currently receiving benefit payments	6
Active employees	4
Total plan membership	10

Total OPEB Liability

The Cooperative's total OPEB liability of \$778,836 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.75%
Salary increases	2.75%
Discount rate	3.50%
Healthcare cost trend rates	4.00% per year (Not reasonable to project historical trend vs. inflation differences several decades into the future)
Retirees' share of benefit-related cost	Not Applicable

The discount rate was based on the Bond Buyer 20 Bond Index.

Mortality rates were based on the 2014 CalPERS Active Mortality for Miscellaneous Employees and the 2014 CalPERS Retiree Mortality for Miscellaneous Employees. Inasmuch as these tables are based on appropriate populations, and that these tables are used for pension purposes, these tables are to be the most appropriate for the valuation.

The actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study as follows:

- Retirement table – 2009 CalPERS 2.0% @55 Rates for Miscellaneous Employees; 2009 CalPERS 2.0% @60 Rates for Miscellaneous Employees
- Turnover Tables – 2009 CalPERS Turnover for Miscellaneous Employees;

Inasmuch as the above tables are based on appropriate populations, and that these tables are used for pension purposes, these tables are to be the most appropriate for the valuation.

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(5) Other Post-Employment Benefits Payable, continued

Changes in the Total OPEB Liability

During the year ended June 30, change in total OPEB liability was as follows:

		<u>2018</u>
Balance at June 30, 2017	\$	760,733
Changes for the year:		
Service cost		20,010
Interest		25,845
Employer contributions		<u>(27,752)</u>
Net change		<u>18,103</u>
Balance at June 30, 2018	\$	<u><u>778,836</u></u>

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

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

	<u>Discount Rate</u> <u>1% Lower</u>	<u>Valuation</u> <u>Discount Rate</u>	<u>Discount Rate</u> <u>1% Higher</u>
Total OPEB liability	\$ 881,530	778,836	692,645

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

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

	<u>Trend 1%</u> <u>Lower</u>	<u>Valuation</u> <u>Trend</u>	<u>Trend 1%</u> <u>Higher</u>
Total OPEB liability	\$ 691,940	778,836	880,871

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

For the year ended June 30, 2018, the Cooperative recognized an OPEB expense of \$45,855. At June 30, 2018, the Cooperative did not report any deferred outflows of resources or deferred inflows of resources related to OPEB.

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(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 Cooperative's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website or may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

Benefits Provided

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

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the Cooperative'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 Cooperative's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

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

	<u>Classic</u>	<u>PEPRA</u>
	Prior to	After
Hire date	<u>Jan 1, 2011</u>	<u>Jan 1, 2013</u>
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	
Benefit payments	monthly for life	
Retirement age	50 - 55	52 - 57
Monthly benefits, as a percentage of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	6.896%	6.250%
Required employer contribution rates	8.418%	6.533%

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(6) Defined Benefit Pension Plan, continued

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 be effective on July 1, following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30, by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

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

	2018
Contributions – employer	\$ 79,604

Net Pension Liability

As of June 30, 2018, the Cooperative's proportionate share of net pension liability was as follows:

	2018
Proportionate share of net pension liability	\$ 1,570,767

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

Measurement Date	2018
Proportion – June 30, 2016	0.01559%
Proportion – June 30, 2017	0.01584%
Change in proportion	0.00025%

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(6) Defined Benefit Pension Plan, continued

Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the Cooperative recognized pension expense of \$135,975. As June 30, 2018, the Cooperative reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 98,856	-
Differences between actual and expected experience	-	(27,680)
Changes in assumptions	238,060	-
Net differences between projected and actual earnings on plan investments	58,283	-
Change in proportion and the differences between the employer's contributions and the employer's proportionate share of contributions	-	(208,136)
Total	<u>\$ 395,199</u>	<u>(235,816)</u>

As of June 30, 2018, the Cooperative reported \$98,856 as deferred outflows of resources related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the year ended June 30, 2019.

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

<u>Fiscal Year Ending June 30,</u>	<u>Deferred Net Outflows(Inflows) of Resources</u>
2019	\$ (68,492)
2020	105,902
2021	57,720
2022	(34,603)

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(6) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation report was determined using the following actuarial assumptions:

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

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

Discount Rate

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

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

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

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

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(6) Defined Benefit Pension Plan, continued

Discount Rate, continued

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

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

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

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

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

The following presents the Cooperative's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Cooperative's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate.

As of June 30, 2018, the Cooperative'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, were as follows:

	<u>Discount Rate - 1% (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>Discount Rate + 1% (8.15%)</u>
Cooperative's net pension liability	\$ <u>2,420,540</u>	<u>1,570,767</u>	<u>130,759</u>

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

(6) Defined Benefit Pension Plan, continued

Pension Plan Fiduciary Net Position

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

(7) Fund Balance

Fund balance is presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (See Note 1.D.11 for a description of these categories). A detailed schedule of fund balance and their funding composition at June 30, 2018, is as follows:

Description	2018
Nonspendable:	
Prepaid expenses and deposits	\$ 7,193
Assigned:	
Compensated absences	34,358
Unassigned:	
Operations	2,883,424
Total fund balance	\$ 2,924,975

(8) Risk Management

The Cooperative is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. The Cooperative has purchased commercial insurance coverage to limit the risk of loss for the above named sources. Also, the Cooperative has obtained workers’ compensation coverage to the statutory limits of the State of California.

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

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

Governmental Accounting Standards Board Statement No. 83

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

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

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

Governmental Accounting Standards Board Statement No. 84

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

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

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

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

Governmental Accounting Standards Board Statement No. 87

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

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

Governmental Accounting Standards Board Statement No. 88

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

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

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

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2018

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

Governmental Accounting Standards Board Statement No. 88, continued

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

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

Governmental Accounting Standards Board Statement No. 89

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

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

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

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

(10) Commitments and Contingencies

Grant Awards

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

Litigation

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

(11) Subsequent Events

Events occurring after June 30, 2018, have been evaluated for possible adjustment to the financial statements or disclosure as of March 31, 2019, which is the date the financial statements were available to be issued. The Cooperative is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

**Southern California Library Cooperative
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2018**

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Expenditures/Expenses:					
Cooperative operations:					
Salaries and wages	\$ 513,600	-	513,600	469,381	44,219
Employee benefits	-	-	-	179,892	(179,892)
Materials and services	164,450	-	164,450	208,763	(44,313)
Communication and delivery	-	-	-	312,808	(312,808)
Grant expense – Federal	-	-	-	1,678,237	(1,678,237)
Grant expense – State	-	-	-	2,423,776	(2,423,776)
Capital outlay	-	-	-	(3,459)	3,459
Total expenditures/expenses	<u>678,050</u>	<u>-</u>	<u>678,050</u>	<u>5,269,398</u>	<u>(4,591,348)</u>
Program revenues:					
Charges for services	176,591	-	176,591	267,002	90,411
California State Library Act apportionment	706,037	-	706,037	454,014	(252,023)
Operating grant – Federal	99,317	-	99,317	1,896,675	1,797,358
Operating grant – State	380,905	-	380,905	2,436,102	2,055,197
Program reimbursement	-	-	-	347,691	347,691
Total program revenues	<u>1,362,850</u>	<u>-</u>	<u>1,362,850</u>	<u>5,401,484</u>	<u>4,038,634</u>
General revenues:					
Member and associate dues	201,353	-	201,353	214,314	12,961
Interest earnings	-	-	-	24,158	24,158
Other revenues(expenses), net	-	-	-	(112,644)	(112,644)
Total general revenues	<u>201,353</u>	<u>-</u>	<u>201,353</u>	<u>125,828</u>	<u>(75,525)</u>
Total revenues	<u>1,564,203</u>	<u>-</u>	<u>1,564,203</u>	<u>5,527,312</u>	<u>3,963,109</u>
Excess of revenues over expenditures	886,153	-	886,153	257,914	(628,239)
Other financing uses:					
Transfer out	-	-	-	(170,721)	(170,721)
Net change in fund balance	886,153	-	886,153	87,193	(798,960)
Fund balance – beginning of period	<u>2,837,782</u>		<u>2,837,782</u>	<u>2,837,782</u>	
Fund balance – end of period	<u>\$ 3,723,935</u>		<u>3,723,935</u>	<u>2,924,975</u>	

Notes to Required Supplementary Information

(1) Budgets and Budgetary Data

The Cooperative follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the Cooperative prepares and submits an operating budget to the Administrative Council 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 Administrative Council must approve all supplemental appropriations to the budget and transfers between major accounts.

The Cooperative 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.

Southern California Library Cooperative
Schedules of the Cooperative's Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2018
Last Ten Years*

Defined Benefit Pension Plan

<u>Description</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Cooperative's proportion of the net pension liability/(asset)	0.01584%	0.01559%	0.01966%	0.01502%
Cooperative's proportionate share of the net pension liability/(asset)	\$ 1,570,767	1,349,435	1,000,007	934,536
Cooperative's covered-employee payroll	\$ 369,105	361,657	420,168	388,012
Cooperative's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	425.56%	373.13%	238.00%	240.85%
Plan's fiduciary net position as a percentage of total pension liability	73.31%	74.06%	78.40%	81.15%

Notes to the Schedules of the Cooperative's Proportionate Share of Net Pension Liability

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

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

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

**Southern California Library Cooperative
Schedules of Pension Plan Contributions
For the Fiscal Year Ended June 30, 2018
Last Ten Years***

Defined Benefit Pension Plan

<u>Description</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Actuarially determined contribution	\$ 98,856	90,401	68,087	24,775
Contributions in relation to the actuarially determined contribution	<u>(98,856)</u>	<u>(79,604)</u>	<u>(63,835)</u>	<u>(24,775)</u>
Contribution deficiency (excess)	\$ -	10,797	4,252	-
Cooperative's covered payroll	\$ <u>369,105</u>	<u>361,657</u>	<u>420,168</u>	<u>388,012</u>
Contribution's as a percentage of covered-employee payroll	<u>26.78%</u>	<u>22.01%</u>	<u>15.19%</u>	<u>6.39%</u>

Notes to the Schedule of Pension Plan Contributions

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

Southern California Library Cooperative
Schedules of Changes in the Cooperative's Total OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2018
Last Ten Years*

Other Post-Employment Benefits Payable

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 20,010	20,010
Interest	25,847	25,847
Employer contributions	<u>(27,752)</u>	<u>(27,752)</u>
Net change in total OPEB liability	18,105	18,105
Total OPEB liability – beginning	<u>760,732</u>	<u>742,627</u>
Total OPEB liability – ending	<u>\$ 778,837</u>	<u>760,732</u>
Covered-employee payroll	<u>\$ 361,657</u>	<u>361,657</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>215.35%</u>	<u>210.35%</u>

Note to Schedule:

Changes in Benefit Terms – There were no changes to benefit terms for the measurement period ended June 30, 2017.

Changes of Assumptions – There were no changes of assumption for the measurement period ended June 30, 2017.

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

Report on Compliance and Internal Controls



Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Andy Beck, CPA

Fedak & Brown LLP

Certified Public Accountants

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
1945 Chicago Avenue, Suite C-1
Riverside, California 92507
(951) 783-9149

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*

Administrative Council
Southern California Library Cooperative
Monrovia, 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 Southern California Library Cooperative (Cooperative) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprises the Cooperative's basic financial statements, and have issued our report thereon dated March 31, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cooperative'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 Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative'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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

- 2018-001

**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**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative'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*.

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
March 31, 2019



Southern California Library Cooperative

Single-Audit Report

For the Fiscal Year Ended June 30, 2018

**Southern California Library Cooperative
Single Audit Report
For the Fiscal Year Ended June 30, 2018**

Table of Contents

	Page
Table of Contents	i
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 <i>Government Auditing Standards</i> .	1-2
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the <i>Uniform Guidance</i>	3-5
Schedule of Expenditures of Federal Awards	6-7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9-10



Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Andy Beck, CPA

Fedak & Brown LLP

Certified Public Accountants

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
1945 Chicago Avenue, Suite C-1
Riverside, California 92507
(951) 783-9149

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*

Administrative Council
Southern California Library Cooperative
Pasadena, 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 governmental activities of the Southern California Library Cooperative (Cooperative) as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements and have issued our report thereon dated March 31, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cooperative'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 Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative'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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

- 2018-001

**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**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative'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*.

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 did not 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
March 31, 2019



Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
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Fedak & Brown LLP

Certified Public Accountants

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
1945 Chicago Avenue, Suite C-1
Riverside, California 92507
(951) 783-9149

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the *Uniform Guidance*

Administrative Council
Southern California Library Cooperative
Pasadena, California

Report on Compliance for Each Major Federal Program

We have audited the Southern California Library Cooperative's (Cooperative) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Cooperative's major federal programs for the year ended June 30, 2018. The Cooperative's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Cooperative's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Cooperative's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Cooperative's compliance.

Opinion on Each Major Federal Program

In our opinion, the Southern California Library Cooperative complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

**Independent Auditor's Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the *Uniform Guidance*, continued**

Report on Internal Control over Compliance

Management of the Cooperative is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Cooperative's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control over compliance.

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities and each major fund of the Southern California Library Cooperative, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Cooperative's basic financial statements. We issued our report thereon dated March 31, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the *Uniform Guidance*, continued

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
March 31, 2019

**Southern California Library Cooperative
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018**

Federal Grantor/Program Title:	Federal CFDA Number	California State Library Award Number	Unearned Grant Revenue June 30, 2017	Grant Awarded	Grant Expenditures	Returned	Unearned Grant Revenue June 30, 2018
National Endowment for the Humanities - Institute of Museum and Library Services							
Major Program:							
Library Services and Technology Act Grants to States							
Passed-Thru: California State Library							
Southern California Harwood Public Innovators Lab	45.310	40-8629	\$ 133	-	(133)	-	-
Public Library Staff Education Program (PLSEP)	45.310	40-8658	19,147	-	(7,203)	(11,944)	-
Technology TNT for Libraries: Year 2	45.310	40-8670	7,184	160,000	(167,184)	-	-
Thinkabit Lab	45.310	40-8672	272	-	(272)	-	-
Leamos @ the Library Project Expansion	45.310	40-8697	501	-	(501)	-	-
Mental Health Initiative	45.310	40-8706	327,030	-	(327,030)	-	-
California Public Innovators: Coaching and Evaluation	45.310	40-8708	9,679	-	(9,679)	-	-
California Immigrant Alliance Phase 1	45.310	40-8725	35,106	-	(35,106)	-	-
Hardwood Public Innovation for California's Public Libraries	45.310	40-8756	-	698,982	(598,219)	-	100,763
Maximizing Learning Spaces	45.310	40-8757	-	309,980	(211,515)	-	98,465
Mental Health Initiative	45.310	40-8758	-	850,000	(473,546)	-	376,454
Public Library Staff Education Program (PLSEP)	45.310	40-8801	-	88,881	(66,288)	-	22,593
Total for CFDA No.	45.310		399,052	2,107,843	(1,896,676)	(11,944)	598,275
Total Federal Awards			\$ 399,052	2,107,843	(1,896,676)	(11,944)	598,275

**Southern California Library Cooperative
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018**

Reconciliation of the Schedule of Expenditures of Federal Awards to the Financial Statements

Statement of Activities:

Program revenues:

Charges for federal award grants \$ 1,896,676

Less:

Unearned revenue – federal funding – June 30, 2017 (399,052)

Add:

Unearned revenue – federal funding – June 30, 2018 598,275

Returned unused federal funding 11,944

Federal grants awarded per schedule \$ 2,107,843

Southern California Library Cooperative
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018

(1) Scope of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) presents the expenditures incurred by the Southern California Library Cooperative (Cooperative) for programs of federal agencies providing federal awards. For the purposes of this schedule, federal awards include federal funds received indirectly by the Cooperative from a nonfederal agency or other organization. Only the portion of program expenditures incurred for such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal fund authorized or the portion of the program expenditures that was funded with other state, local, or other nonfederal funds are excluded from the accompanying schedule.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Cooperative and is presented on the accrual basis of accounting, which is described in Note 1 of the Cooperative's notes to the basic financial statements. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*.

(3) Relationship to Annual Financial Report

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree to amounts reported within the Cooperative's Annual Financial Report.

(4) Relationship to Federal Financial Report

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree with amounts reported within federal financial reports.

(5) Contingencies

Under the terms of federal grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

(6) Indirect Cost Rate

The Cooperative has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

**Southern California Library Cooperative
Schedule of Findings and Questioned Cost
Fiscal Year Ended June 30, 2018**

Section I—Summary of Auditor’s Results	Response
<i>Basic Financial Statements</i>	
Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	No
<i>Federal Awards</i>	
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified	No
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a) (Uniform Guidance):	No
Identification of major programs tested include:	
National Endowment for the Humanities – Institute of Museum and Library Services	
Library Services and Technology Act – CFDA No. 45.310	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	No

Section II—Financial Statement Findings

Significant Deficiency

2018-001 Accounting Records

Criteria: At the end of a fiscal year, the records of an organization should be reviewed by an employee, with the skills, knowledge, and experience, and appropriate journal entries should be posted as necessary.

Condition: During our audit, we noted unreconciled balances of the Cooperative’s records. Upon further review, we noted several erroneous adjusting journal entries to the Cooperative’s accounting records, for which we proposed correcting journal entries.

Effect: Transactions could be incorrectly recorded.

Cause: The Cooperative hired a 3rd party accountant to correct and maintain the Cooperative’s accounting records. Later during the relationship between the 3rd party accountant and the Cooperative, it became apparent that the 3rd party accountant’s skill and knowledge did not match the needs of the Cooperative and was terminated.

Recommendation: We recommend that an employee with the skills, knowledge, and experience, review the Cooperative’s record and post year-end closing journal entries. Thereafter, management should review the System’s records to verify its accuracy.

**Southern California Library Cooperative
Schedule of Findings and Questioned Cost
Fiscal Year Ended June 30, 2018**

Section II—Financial Statement Findings, continued

Views of Responsible Officials: The Cooperative agrees with the finding and has taken corrective action as described below.

Corrective Plan: The Cooperative has hired a controller with the skills, knowledge, and experience to maintain its records.

Name of Contact Person: Diane Satchwell, Executive Director

Propose Completion Date: Immediately

Section III—Federal Award Findings and Questioned Costs

None noted

Section IV—Prior Year Findings and Questioned Costs

2017-002 National Endowment of the Humanities – Institute of Museum and Library Services (Passed through the California State Library)

Federal Program: Library Services and Technology Act – CFDA No. 45.310, June 30, 2017

Criteria: The suspension and debarment requirement establishes that certain non-federal entities have been prohibited from participating in or receiving federal assistance for various reasons, including prior mismanagement of funds or previous non-compliance of laws and regulations. This prohibition may be temporary (suspension) or indefinite (debarment; until specifically allowed by the government). When performing a purchase, the Cooperative must verify that the vendor, supplier, provider or their respective principals (e.g., owners, top management, etc.) are not suspended, debarred, or otherwise excluded by the federal government. This is done by checking the SAM or by contacting the federal agency.

Condition: During the engagement, it was noted that the Cooperative did not perform a search for suspended and debarred vendors using the System for Award Management (SAM).

Cause: The Cooperative was unaware of the requirement and some of the vendors used by the Cooperative were mandated by the California State Library.

Possible Asserted Effect: The Cooperative could have possibly obtained products and/or services from vendors and contractors that are suspended, debarred, or otherwise excluded by the federal government.

Recommendations: We recommend that the Cooperative perform a search for suspended or debarred vendors using the SAM before contracting any services.

Views of Responsible Officials: The Cooperative agrees with the finding and will implement adequate checks and balances to ensure that this problem does not recur.

Corrective Action: Upon the communication of the deficiency, a search for suspension and debarment was performed for all of the vendors used by the Cooperative for federal grant purposes using SAM. It was noted that none of the vendors were suspended or debarred.

Going forward, a search for suspended or debarred vendors will be performed for all vendors contracted for federal grant purposes before incurring the expense.

Name of Contact Person: Diane Satchwell, Executive Director

Propose Completion Date: Immediately

Reserve Designation Recommendation

FY 19/20

Submitted by Carol Dinuzzo, Controller

Per the Reserve Fund Policy adopted by the Administrative Council on May 28, 2009:

SCLC staff shall present to the Audit and Finance Committee information on the operating costs for the previous calendar year (a 12 month period). Staff will also present the Audit and Finance Committee with information on the current amount in the Reserve Fund.

Calendar Year 2018 operating costs:	\$ 872,551
Current amount in Reserve Fund:	\$ 2,924,975

RECOMMENDATION: To be determined.



DATE: April 25, 2019
TO: SCLC Audit and Finance Committee
FROM: Diane Satchwell, Executive Director
SUBJECT: CalPERS

BACKGROUND: As mentioned previously, SCLC will be held responsible for pension liabilities. There are a variety of documents.

Unfunded liability- SCLC has been paying yearly payments to CalPERS. The formula was established by each entity in CalPERS. For each member, each government entity was given yearly payments. This year (19/20) SCLC paid \$81,808. FY 2019-20 is \$103,000. FY 2020-21 is \$118,000.

SCLC also has the potential for another liability. It is only an estimate of \$500,000. There is no guarantee that is the correct number.

Staff will provide more detail at the meeting.

FISCAL IMPACT: TBD

RECOMMENDATION: TBD

Southern California Library Cooperative

254 North Lake Avenue #874 • Pasadena, California 91101

(626) 283-5949 • Fax (626) 283-5949

Website: <http://www.socallibraries.org> • E-mail: sclcadmin@socallibraries.org



DATE: April 25, 2019
TO: SCLC Audit and Finance Committee
FROM: Jeri Takeda, Administrative Officer, SCLC
SUBJECT: LAIF Resolution

BACKGROUND: SCLC has funds invested with the Local Agency Investment Fund. A resolution is used to authorize the deposit and withdrawal of SCLC monies and to specify the officers authorized to order the deposit or withdrawal of monies in the LAIF.

The resolution needs to be updated with the title change from Finance Manager to Controller and with the new SCLC address. The new resolution is to be passed and adopted by the Executive Committee.

FISCAL IMPACT: None

RECOMMENDATION: Recommend Executive Committee approval of the new LAIF resolution to update the title change from Finance Manager to Controller and the SCLC address.

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**RESOLUTION OF Southern California Library Cooperative (SCLC)
a Joint Powers Agency**

**AGENCY ADDRESS: 254 N. Lake Ave. #874
Pasadena, CA 91101**

PHONE NUMBER: 626-283-5949

AUTHORIZING INVESTMENT OF MONIES IN THE LOCAL AGENCY INVESTMENT FUND

WHEREAS, The Local Agency Investment Fund is established in the State Treasury under Government Code section 16429.1 et. seq. for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Executive Committee of the SCLC Administrative Council hereby finds that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein is in the best interests of the Southern California Library Cooperative;

NOW THEREFORE, BE IT RESOLVED, that the Executive Committee of the SCLC Administrative Council hereby authorizes the deposit and withdrawal of SCLC monies in the Local Agency Investment Fund in the State Treasury in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein.

BE IT FURTHER RESOLVED, as follows:

Section 1. The following Southern California Library Cooperative officers holding the title(s) specified herein below **or their successors in office** are each hereby authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund and may execute and deliver any and all documents necessary or advisable in order to effectuate the purposes of this resolution and the transactions contemplated hereby:

<u>Janet Stone</u> (Name)	<u>Diane R. Satchwell</u> (Name)	<u>Carol Dinuzzo</u> (Name)
<u>Chair, Audit & Finance Comm.</u> (Title)	<u>Executive Director</u> (Title)	<u>Controller</u> (Title)
_____ (SIGNATURE)	_____ (SIGNATURE)	_____ (SIGNATURE)

Section 2. This resolution shall remain in full force and effect until rescinded by the Executive Committee of the SCLC Administrative Council by resolution and a copy of the resolution rescinding this resolution is filed with the State Treasurer's Office.

PASSED AND ADOPTED by the Executive Committee of the Southern California Library Cooperative Administrative Council, County of Los Angeles of the State of California on May 23, 2019.