SCLC Audit and Finance Committee Meeting
Wednesday, September 28, 2022
2:30pm

Join Zoom Meeting
https://us02web.zoom.us/j/88679630944?pwd=dGk3ZmlpZ0ZINGk3NjBldjJzK0VLZz09

Meeting ID: 886 7963 0944
Passcode: 159995

AGENDA

All items may be considered for action

1. Opening — Jesse Walker-Lanz
   a. Chairperson's welcome
      Chairperson introduces new attendees and Committee members.
   b. Roll call

2. Public Forum — Jesse Walker-Lanz
   Opportunity for any guest or member of the public to address the committee on any item of SCLC Audit and Finance Committee business. Three minutes per speaker on any Audit and Finance Committee-related business topic.

3. Consent Calendar — Jesse Walker-Lanz
   All items on the consent calendar may be approved by a single motion. Any committee member may request an item be removed from the consent calendar and placed on the agenda for discussion.
   a. Minutes of the April 6, 2022 Audit and Finance Committee meeting.

4. Adoption of Agenda — Jesse Walker-Lanz

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

5.	SCLC Controller Update	Wayne Walker
6.	Audit Report FY2020/21	Caryn Shapiro
7.	Investments Report	Wayne Walker
8.	Revenue Generation for SCLC	Jesse Walker-Lanz
9.	Adjournment	Jesse Walker-Lanz

ACTION ITEMS

Meeting: _______Audit and Finance Committee ____________________________

Date: __________September 26, 2022___________________________________

Library: ____

Name: ____

Signature: ________________________________

Date: ______________________________

Agenda Item: ____________________

_____ Aye

_____ Nay

_____ Abstain

Agenda Item: ____________________

_____ Aye

_____ Nay

_____ Abstain

Agenda Item: ____________________

_____ Aye

_____ Nay

_____ Abstain

Agenda Item: ____________________

_____ Aye

_____ Nay

_____ Abstain

Agenda Item: ____________________

_____ Aye

_____ Nay

_____ Abstain

Agenda Item: ____________________

_____ Aye

_____ Nay

_____ Abstain

Email completed forms to: lgraver@socallibraries.org

Audit Agenda Item 03a

SCLC Audit and Finance Committee Meeting
Wednesday, April 6, 2022
3:30pm

Minutes *draft*

Attendance
Anderson, Susan – Redondo Beach
Garcia, Diana – Monterey Park
Graf, Ann – Azusa
Schram, Nancy – Ventura
Shaffer, Gary - Glendale

Other
Cousin, Heather – SCLC
Dinuzzo, Carol - SCLC
Goldman, Elizabeth – Burbank
Graver, Lori – SCLC
Walker, Wayne - SCLC

Absent
Lockwood, Barbara - Calabasas

1. Opening — Gary Shaffer
   Meeting called to order at 3:32pm.

2. Public Forum — Gary Shaffer
   None.

3. Consent Calendar
   All items on the consent calendar may be approved by a single motion. Any committee member may request an item be removed from the consent calendar and placed on the agenda for discussion.
   a. Minutes of the February 2, 2022 Audit and Finance Committee meeting.

MSP (Schram/Garcia) to accept the Consent Calendar, without changes. (4 yes, 0 no, 1 abstain)

4. Adoption of Agenda — Gary Shaffer
Chair adopted the agenda without objection.

5. Investments Report — Carol Dinuzzo
The investment overview reflects the balance of the LAIF account as of February 2022. The CEPPT account balance is the same as of December 2021, as the quarterly statement will not be available until early May.

6. Funding Pension Liability Update — Gary Shaffer
MSP (Schram/Anderson) to 1) Pay $270,399 to CalPERS by June 30, including $154,769 already budgeted and $115,630 additional. 2) Budget for $270,399 in FY22-23 for the next year of pension liability payment. (5 yes, 0 no, 0 abstain)

7. Proposed Budget FY2022/23 — Carol Dinuzzo
Requested correction to entry for "Prior Year Office space rental," from $3,200 to $32,000. The difference in travel from prior year to proposed year is due to limited staff travel during COVID, and the anticipation of return to normal travel patterns for FY2022/23. The difference in salary from prior year to proposed year is due to anticipated staff step increases, anticipated COLA increases, and anticipated vacation pay out for two (Interim ED and regular ED), plus sick leave pay out for Interim ED.

8. Staff Salary Schedule — Gary Shaffer
MSP (Graf/Schram) to recommend to the Administrative Council to increase the SCLC staff salary range for each position by 2.5 percent for each of the next three fiscal years, and removal of the COLA columns as presented staff salary schedule in the agenda packet. (5 yes, 0 no, 0 abstain)

9. Staff Bonuses — Gary Shaffer
MSP (Schram/Graf) to recommend to the Administrative Council a one-time bonus for all SCLC staff to account for the additional workload during the period following the retirement of the immediate past Executive Director and the appointment of the current Interim Executive Director, not to exceed $5,000 total. (5 yes, 0 no, 0 abstain)

10. Other — Gary Shaffer
None.

11. Adjournment — Gary Shaffer
Meeting adjourned at 4:30pm.

DATE: September 28, 2022
TO: Audit and Finance Committee
FROM: Wayne Walker – Interim Executive Director, SCLC
SUBJECT: SCLC Controller Update

BACKGROUND:

DISCUSSION: Carol Dinuzzo, SCLC Controller, accepted a position outside of SCLC in August leaving the position vacant. The Administrative Council at their August meeting authorized the Administrative Council Chair to enter into an agreement with a temporary agency or an accounting firm to fulfill controller duties on a temporary basis. In early September an agreement was entered into with contractor Caryn Shapiro, CPA, to assist with the Controller duties for a period of up to 3 months at $72 per hour (non-benefitted) up to 40 hours per week. (Hourly rate similar to approved 22/23 budget for SCLC Controller during same time period.)

In addition, the Administrative Council at their August meeting authorized the Administrative Council Chair to enter into an agreement for accounting consulting purposes with one of SCLC's sister cooperatives on an as-needed basis. An agreement was entered into with the Pacific Library Partnership at $150 per hour through December 2022.

FISCAL IMPACT: Caryn Shapiro contractor agreement value not to exceed $37,440. PLP contract agreement value not to exceed $12,000.

RECOMMENDATION: Informational

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DATE: September 28, 2022
TO: Audit and Finance Committee
FROM: Caryn Shapiro – Interim Controller, SCLC
SUBJECT: Draft Audited Financial Statements FY2022/2021

BACKGROUND: A copy of the Audited Financial Statements for FY 20/21 is included for your Review.

OVERVIEW OF FISCAL YEAR ENDING 2021:

> The Cooperative's net position decreased 757.81%, or $288,879 from ongoing operations.

> The Cooperative's total revenues decreased 15.59%, or $700,466 to $3,791,311 from $4,491,777.

> The Cooperative's total expenses decreased 18.98%, or $955,955 to $4,080,190 from $5,036,145.

FISCAL IMPACT: The decrease in the Cooperative's net position for the Fiscal year was $288,879. The COVID-19 Outbreak in the United States has caused business disruption through labor shortages and business closings.

RECOMMENDATION: Recommend the Administrative Council to approve the Annual Audited Financial Statements, June 30, 2021.

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Southern California Library Cooperative

Annual Financial Report

For the Fiscal Year Ended June 30, 2021

Southern California Library Cooperative

Annual Financial Report

For the Fiscal Year Ended June 30, 2021

Southern California Library Cooperative
Annual Financial Report
For the Fiscal Year Ended June 30, 2021

Table of Contents

Financial Section

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, 2021, 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; 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, 2021, 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 36 through 40, 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 June 30, 2022, 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 41 and 42.

Fedak & Brown LLP
Cypress, California
June 30, 2022

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 for the fiscal year ended June 30, 2021. 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 2021, the Cooperative's net position decreased 757.81%, or $288,879 from ongoing operations.
- In fiscal year 2021, the Cooperative's total revenues decreased 15.59%, or $700,466 to $3,791,311 from $4,491,777.
- In fiscal year 2021, the Cooperative's total expenses decreased 18.98%, or $955,955 to $4,080,190 from $5,036,145.

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the Cooperative using accounting methods similar to those used by private sector companies. The Statement of Net Position includes 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 Statement of Activities. This statement measures 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

Statement of Net Position and Statement 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 Statement of Net Position and the Statement of Activities report information about the Cooperative in a way that help 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 it. Think of the Cooperative's net position – assets and deferred outflows of resources less 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.

Governmental Fund Financial Statements

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 through 35.

Government-wide Financial Analysis

Statement of Net Position

Condensed Statements of Net Position

	2021	2020	Change
Assets:			
Current assets	$ 5,763,970	4,583,553	1,180,417
Total assets	5,763,970	4,583,553	1,180,417
Deferred outflows of resources	476,261	443,696	32,565
Liabilities:			
Current liabilities	3,556,114	2,214,374	1,341,740
Non-current liabilities	2,856,165	2,637,807	218,358
Total liabilities	6,412,279	4,852,181	1,560,098
Deferred inflows of resources	78,711	136,948	(58,237)
Net position:			
Unrestricted	(250,759)	38,120	(288,879)
Total net position	$ (250,759)	38,120	(288,879)

Government-wide Financial Analysis, continued

Statement of Net Position, 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, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $250,759, as of June 30, 2021.

At June 30, 2021, the Cooperative's capital assets were fully depreciated; consequently, there were no net investment in capital assets. Unrestricted net position of the Cooperative was a deficit of $250,759.

Statement of Activities

Condensed Statements of Activities

Governmental Activities:	2021	2020	Change
Expenses:			
Cooperative operations	$ 4,080,190	5,036,145	(955,955)
Total expenses	4,080,190	5,036,145	(955,955)
Program revenues	3,570,315	4,232,560	(662,245)
General revenues	220,996	259,217	(38,221)
Total revenues	3,791,311	4,491,777	(700,466)
Changes in net position	(288,879)	(544,368)	255,489
Net position, beginning of year	38,120	582,488	(544,368)
Net position, end of year	$ (250,759)	38,120	(288,879)

The statement of activities shows how the government's net position changes during a fiscal year. In the case of the Cooperative, net position decreased $288,879 from ongoing operations.

In fiscal year 2021, the Cooperative's total revenues decreased 15.59%, or $700,466 to $3,791,311 from $4,491,777 due primarily to decreases of $474,913 in Federal grant revenues and $230,559 in California State Library Act appropriations; which were offset by an increase of $62,312 in program reimbursements.

In fiscal year 2021, the Cooperative's total expenses decreased 18.98%, or $955,955 to $4,080,190 from $5,036,145 due primarily to decreases of $1,119,381 in State grant expense, $602,551 in Federal grant expense, and $61,257 in communication and delivery; which were offset by an increase of $809,051 in materials and services.

Governmental Fund 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, 2021, the Cooperative's General Fund reported a fund balance of $2,254,376. An amount of $2,206,634 constitutes the Cooperative's *unassigned fund balance*, which is available for future expenditures.

General Fund Budgetary Highlights

In 2021, actual expenditures were greater than the anticipated budget by $2,929,783. The variance is due to the Cooperative's exclusion of Federal grant expenditures as part of its annual budget and overage in actual material and service expenditures.

In 2021, actual revenues were less than the anticipated budget by $976,042. The variance is due primarily to actual Federal grant revenue less than budget of $1,680,417 and actual California State Library Act appropriation less than budget of $264,543; which were offset by program reimbursements more than budget of $796,025 and charge for services more than budget of $118,904. The General Fund budget to actual comparison schedule can be found on page 36.

Capital Asset Administration

At the end of fiscal year 2021, the Cooperative's capital assets were fully depreciated; consequently, there were no investment in capital assets (net of accumulated depreciation). See note 3 for further information.

Changes in capital assets for 2021, was as follows:

	Balance 2020	Additions	Deletions/ Transfers	Balance 2021
Depreciable assets:				
Equipment, furniture, and fixture	$ 109,763	-	-	109,763
Total depreciable assets	109,763	-	-	109,763
Accumulated depreciation	(109,763)	-	-	(109,763)
Total depreciable assets, net	-	-	-	-
Total capital assets, net	$ -			-

Conditions Affecting Current Financial Position

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

Management is unaware of any other 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
Statement of Net Position
June 30, 2021

		2021
Assets:		
Cash and cash equivalents (note 2)	$	5,437,970
Accrued interest receivable		1,571
Accounts receivable		39,137
Grants receivable		284,070
Prepaid expenses and deposits		1,222
Total assets		5,763,970
Deferred outflows of resources:		
Deferred OPEB outflows (note 5)		157,038
Deferred pension outflows (note 6)		319,223
Total deferred outflows of resources		476,261
Liabilities:		
Accounts payable and accrued expenses		264,009
Due to Fiduciary fund		3,497
Accrued payroll and related expenses		8,417
Compensated absences (note 4)		46,520
Deposits from members		150,941
Unearned revenues		3,082,730
Other post-employment benefit payable (note 5)		1,022,753
Net pension liability (note 6)		1,833,412
Total liabilities		6,412,279
Deferred inflows of resources:		
Deferred OPEB inflows (note 5)		27,418
Deferred pension inflows (note 6)		51,293
Total deferred inflows of resources		78,711
Net position:		
Unrestricted		(250,759)
Total net position	$	(250,759)

See accompanying notes to the basic financial statements

Southern California Library Cooperative
Statement of Activities
For the Fiscal Year Ended June 30, 2021

Governmental Activities:		2021
Expenses:		
Cooperative operations:		
Salaries and wages	$	635,481
Employee benefits		403,872
Materials and services		914,011
Communication and delivery		133,736
Grant expense – Federal		1,993,090
Total expenses		4,080,190
Program revenues:		
Charge for services		228,858
California State Library Act appropriations		207,200
Operating grant – Federal		2,338,232
Program reimbursement		796,025
Total program revenues		3,570,315
Net program expense		(509,875)
General revenues:		
Member and associate dues		214,314
Interest earnings		6,594
Other revenues(expenses), net		88
Total general revenues		220,996
Changes in net position		(288,879)
Net position, beginning of year		38,120
Net position, end of year	$	(250,759)

See accompanying notes to the basic financial statements

Southern California Library Cooperative
Balance Sheet of Governmental Type Fund
June 30, 2021

	General Fund	Reclassifications & Eliminations	Statement of Net Position
Assets:			
Cash and cash equivalents	$ 5,437,970	-	5,437,970
Accrued interest receivable	1,571	-	1,571
Accounts receivable	39,137	-	39,137
Grants receivable	284,070	-	284,070
Prepaid expenses and deposits	1,222	-	1,222
Total assets	5,763,970	-	5,763,970
Deferred outflows of resources:			
Deferred OPEB outflows	-	157,038	157,038
Deferred pension outflows	-	319,223	319,223
Total deferred outflows of resources	-	476,261	476,261
Liabilities:			
Accounts payable and accrued expenses	264,009	-	264,009
Due to Fiduciary fund	3,497	-	3,497
Accrued payroll and related expenses	8,417	-	8,417
Compensated absences	-	46,520	46,520
Deposits from members	150,941	-	150,941
Unearned revenue	3,082,730	-	3,082,730
Net other post-employment benefit liability	-	1,022,753	1,022,753
Net pension liability	-	1,833,412	1,833,412
Total liabilities	3,509,594	2,902,685	6,412,279
Deferred inflows of resources:			
Deferred OPEB inflows	-	27,418	27,418
Deferred pension inflows	-	51,293	51,293
Total deferred inflows of resources	-	78,711	78,711
Fund balance: (note 7)			
Nonspendable	1,222	(1,222)	-
Assigned	46,520	(46,520)	-
Unassigned	2,206,634	(2,206,634)	-
Total fund balance	2,254,376	(2,254,376)	-
Total liabilities and fund balance	$ 5,763,970		
Net position:			
Unrestricted		$ (250,759)	(250,759)
Total net position		$ (250,759)	(250,759)

See accompanying notes to the basic financial statements

DRAFT

Southern California Library Cooperative
Reconciliation of the Balance Sheet of Governmental Type Fund to the Statement of Net Position
June 30, 2021

Reconciliation:

Fund balance of governmental fund	$	2,254,376
Amounts reported for governmental activities in the statement of net position is different because:		
Non-current assets and deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund balance sheet.		
Deferred OPEB outflows		157,038
Deferred pension outflows		319,223
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 statement of net position.		
Compensated absences		(46,520)
Net other post-employment benefits payable		(1,022,753)
Net pension liability		(1,833,412)
Deferred OPEB inflows		(27,418)
Deferred pension inflows		(51,293)
Net position of governmental activities	$	(250,759)

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, 2021

	General Fund	Reclassifications & Eliminations	Statement of Activities
Expenditures/Expenses:			
Cooperative operations:			
Salaries and wages	$ 621,396	14,085	635,481
Employee benefits	276,316	127,556	403,872
Materials and services	914,011	-	914,011
Communication and delivery	133,736	-	133,736
Grant expense – Federal	1,993,090	-	1,993,090
Total expenditures/expenses	3,938,549	141,641	4,080,190
Program revenues:			
Charge for services	228,858	-	228,858
California State Library Act appropriations	207,200	-	207,200
Operating grant – Federal	2,338,232	-	2,338,232
Program reimbursement	796,025	-	796,025
Total program revenues	3,570,315	-	3,570,315
Net program expense			(509,875)
General revenues:			
Member and associate dues	214,314	-	214,314
Interest earnings	6,594	-	6,594
Other income, net	88	-	88
Total general revenues	220,996	-	220,996
Total revenues	3,791,311	-	
Excess of expenditures over revenues	(147,238)	147,238	
Changes in net position	-	(288,879)	(288,879)
Fund balance/Net position, beginning of year	2,401,614	-	38,120
Fund balance/Net position, end of year	$ 2,254,376	-	(250,759)

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 Fund to the Statement of Activities
For the Fiscal Year Ended June 30, 2021

Reconciliation:

Net change in fund balance of governmental fund	$	(147,238)
Amounts reported for governmental activities in the statement of activities are different because:		
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenses in governmental funds as follows:		
Net change in compensated absences		(14,085)
Net change in employee benefit		(127,556)
Changes in net position of governmental activities	$	(288,879)

See accompanying notes to the basic financial statements

DRAFT

Southern California Library Cooperative
Statement of Fiduciary Net Position
June 30, 2021

		2021
Assets:		
Cash and cash equivalents (note 2)	$	183,878
Accounts receivable		82
Total assets		183,960
Liabilities:		
Deposits from members		183,960
Total liabilities		183,960
Net position:		
Held in trust for member library benefits		-
Total net position	$	-

See accompanying notes to the basic financial statements

Southern California Library Cooperative
Statement of Fiduciary Activities
For the Year Ended June 30, 2021

		2021
Additions:		
Member library reimbursements	$	12,300
Total additions		12,300
Deductions:		
Program expenses		12,300
Total deductions		12,300
Changes in net position		-
Net position, beginning of year		-
Net position, end of year	$	-

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Southern California Library Cooperative (Cooperative) is an association of 38 independent city and special district 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 resource* 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 Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which 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) charge for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charge 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 difference 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.

(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 fund:

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 fund 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 post-employment healthcare plans.

The Cooperative reports the following major fiduciary fund:

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 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.

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

C. Financial Reporting, continued

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

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 net position during the reporting period. Actual results could differ from those estimates.

2. Uncertainty

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

3. 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.

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

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

4. 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.

5. Prepaid Expenses

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

6. Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets are equipment and furniture and fixtures. The Cooperative's 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

7. Deferred Outflows of Resources

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

8. Compensated Absences

The Cooperative's policy is to permit employees to accumulate earned but unused vacation pay. 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 resignation and retirement.

9. Deferred Inflows of Resources

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

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

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

10. Pensions

For the purpose of measuring net pension liability and deferred outflows/inflows of resources related to pension 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 benefit terms. Investments are reported at fair value.

11. Net Position

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

- **Net investment in capital assets** – consists of capital assets, net of accumulated depreciation, and reduced by any outstanding debt against the acquisition, construction, or improvement of those assets.
- **Restricted** – 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.
- **Unrestricted** – consists of the net amount of assets that are not included in the determination of *restricted* or *net investment in capital assets* components of net position.

12. Fund Balance

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

- **Nonspendable** – amounts that cannot be spent because they are either (a) not spendable in form, or (b) legally or contractually required to be maintained intact.
- **Restricted** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions of enabling legislation.
- **Committed** – 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 remains 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.

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

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

12. Fund Balance, continued

- **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 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.

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 fund sufficient for 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 balance 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:

		2021
General fund		
Petty cash	$	266
Deposits held in financial institutions		3,513,386
Deposits held with the California Local Agency Investment Fund (LAIF)		1,924,318
Total General fund		5,437,970
Fiduciary fund		
Deposits held in financial institutions		183,878
Total Fiduciary fund		183,878
Total cash and cash equivalent	$	5,621,848

(2) Cash and Cash Equivalents, continued

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

	2021
Deposits held with the California Local Agency Investment Fund (LAIF)	291 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 in the following areas:

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

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 million or more require 24 hours advance notice.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for *investments* is the risk that, in the event of 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. 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).

(2) Cash and Cash Equivalents, continued

Custodial Credit Risk, continued

The California Government Code and the Cooperative's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. As of June 30, 2021, bank balances are federally insured up to $250,000. The remaining balance is collateralized in accordance with the Code; however, collateralized securities are not held in the Cooperative's name.

Interest Rate Risk

Interest rate risk is the risk that the change in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity an investment, the greater the sensitivity of its fair value to the change in market interest rates. One of the ways that the Cooperative manages its exposure to interest rate risk is by purchasing a combination of short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide requirements for cash flow and liquidity needed for operations.

Credit Risk

Generally, 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, 2021, the Cooperative's investment in LAIF is unrated.

(3) Capital Assets

The change in capital assets for 2021 was as follows:

	Balance 2020	Additions	Deletions/ Transfers	Balance 2021
Depreciable assets:				
Equipment, furniture, and fixtures	$ 109,763	-	-	109,763
Total depreciable assets	109,763	-	-	109,763
Accumulated depreciation	(109,763)	-	-	(109,763)
Total depreciable assets, net	-	-	-	-
Total capital assets, net	$ -			-

(4) Compensated Absences

The change in compensated absences for 2021 was as follows:

Balance 2020	Additions	Deletions	Balance 2021
$ 32,435	40,460	(26,375)	46,520

(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 solely provides medical benefits to only 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.

Employees Covered by Benefit Terms

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

	2021
Inactive employees or beneficiaries currently receiving benefit payments	8
Active employees	5
Total plan membership	13

Total OPEB Liability

The Cooperative's total OPEB liability of $1,022,753 was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2021, actuarial valuation for the measurement date June 30, 2021, was determined using the following actuarial assumptions and other inputs applied to all periods included in the measurement unless otherwise specified:

Inflation	2.50% per year changed from 2.16% in 2020
Salary increases	2.75% per year
Discount rate	2.16% per year
Retirees' share of benefit-related cost	Not Applicable

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

Mortality assumptions are based on the 2017 CalPERS Mortality for Miscellaneous Employees and School Employees and the 2017 CalPERS Retiree Mortality for All Employees. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. These tables incorporates mortality projection as deemed appropriate based on CalPERS analysis. 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.

(5) Other Post-Employment Benefits Payable, continued

Actuarial Assumptions and Other Inputs, continued

The retirement and turnover assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study as follows:

- Retirement table – 2017 CalPERS 2.0% @ 62 Rates for Miscellaneous Employees
- Turnover Tables – 2017 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.

Changes in the Total OPEB Liability

During the year ended June 30, changes in total OPEB liability were as follows:

	2021
Balance at June 30, 2020	$ 941,953
Changes for the year:	
Service cost	51,311
Interest	20,934
Differences between expected and actual experience	(14,416)
Changes in assumptions or other inputs	55,142
Benefit payments	(32,171)
Net change	80,800
Balance at June 30, 2021	$ 1,022,753

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:

	Discount Rate 1% Lower	Valuation Discount Rate	Discount Rate 1% Higher
Total OPEB liability	$ 1,177,939	1,022,753	896,758

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:

	Trend 1% Lower	Valuation Trend	Trend 1% Higher
Total OPEB liability	$ 886,368	1,022,753	1,194,910

(5) Other Post-Employment Benefits Payable, continued

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

For the year ended June 30, 2021, the Cooperative recognized an OPEB expense of $95,550. As June 30, 2021, the Cooperative reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	(27,418)
Changes of assumptions or other inputs	157,038	-
Total	$ 157,038	(27,418)

As of June 30, 2021, amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year Ending June 30,	Deferred Net Outflows(Inflows) of Resources
2022	$ 23,305
2023	26,457
2024	26,457
2025	26,437
2026	20,676
Thereafter	6,288

(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.

(6) Defined Benefit Pension Plan, continued

Benefits Provided

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

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 55 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 risk pool in effect at June 30, 2021, are summarized as follows:

	Classic	**PEPRA**
Hire date	Prior to Jan 1, 2011	After Jan 1, 2013
Benefit formula	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	
Benefit payments	monthly for life	
Retirement age	50 - 55	57 - 62
Monthly benefits, as a percentage of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.000%	6.750%
Required employer contribution rates	10.484%	7.732%

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, 2021, the Cooperative's contributions to the Plan was as follows:

	2021
Contributions – employer	$ 170,277

(6) Defined Benefit Pension Plan, continued

Net Pension Liability

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

	2021
Proportionate share of net pension liabiltiy	$ 1,833,412

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, 2021, the net pension liability of the Plan is measured as of June 30, 2020 (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, 2019 (the valuation date), rolled forward to June 30, 2020, 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 changes in proportionate share of the net pension liability for the Plan pool as of the measurement date June 30, 2020, was as follows:

Measurement Date	2021
Proportion – June 30, 2019	0.01655%
Proportion – June 30, 2020	0.01685%
Change in proportion	0.00030%

Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the Cooperative recognized pension expense of $234,454. As June 30, 2021, the Cooperative reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 170,277	-
Difference between actual and expected experience	94,481	-
Change in assumptions	-	(13,076)
Net difference between projected and actual earnings on plan investments	54,465	-
Change in proportion and the difference between employer's contributions and employer's proportionate share of contributions	-	(38,217)
Total	$ 319,223	(51,293)

(6) Defined Benefit Pension Plan, continued

Deferred Outflows/Inflows of Resources Related to Pensions, continued

As of June 30, 2021, the Cooperative reported $170,277 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, 2022.

As of June 30, 2021, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Fiscal Year Ending June 30,	Deferred Net Outflows(Inflows) of Resources
2022	$ (4,602)
2023	39,326
2024	36,808
2025	26,121

Actuarial Assumptions

The total pension liabilities in the June 30, 2019, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation dates	June 30, 2019
Measurement dates	June 30, 2020
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions	
Discount rate	7.15%
Inflation	2.50%
Salary increase	Varies by entry age and service
Mortality Table*	Derived using CalPERS membership data
Period upon which actuarial Experience survey assumptions were based	1997 – 2015
Post-retirement benefit increase	Contract COLA up to 2.50% until PPPA floor on purchasing power applies; 2.50% thereafter

* The mortality table was developed based on CalPERS specific data. The table includes 15 years of mortality improvement using the Society of Actuaries 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017, experience study report (based on CalPERS demographic data from 1997 to 2015) available online on the CalPERS website.

(6) Defined Benefit Pension Plan, continued

Discount Rate

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

The PERF C fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for those pension plans' investments were applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

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

(6) Defined Benefit Pension Plan, continued

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, 2021, 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:

	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Cooperative's net pension liability	$ 2,688,221	1,833,412	1,127,109

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in 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.12 for a description of these categories). A detailed schedule of fund balance and their funding composition at June 30, are as follows:

Description	2021
Nonspendable:	
Prepaid expenses and deposits	$ 1,222
Assigned:	
Compensated absences	46,520
Unassigned:	
Operations	2,206,634
Total fund balance	$ 2,254,376

(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 have effective dates that may impact future financial presentations.

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 were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. 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 were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

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

Governmental Accounting Standards Board Statement No. 91

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

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

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

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

Governmental Accounting Standards Board Statement No. 92

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

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

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

Governmental Accounting Standards Board Statement No. 93

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

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 94

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

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

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

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

Governmental Accounting Standards Board Statement No. 96

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

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

Governmental Accounting Standards Board Statement No. 97

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

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

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

Governmental Accounting Standards Board Statement No. 98

This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

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

This Statement's introduction of the new term is founded on a commitment to promoting inclusiveness. Effective Date The requirements of this Statement are effective for fiscal years ending after December 15, 2021. Earlier application is encouraged.

(10) Commitments and Contingencies

Grant Awards

Grant funds received by the Cooperative are subject to audit by grantor agencies. Such audit could lead to requests for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. Management of the 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, 2021, have been evaluated for possible adjustment to the financial statements or note disclosures as of June 30, 2022, 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, 2021

	Adopted Original Budget	Board Approved Changes	Revised Budget	Actual Budgetary Basis	Variance Positive (Negative)
Expenditures/Expenses:					
Cooperative operations:					
Salaries and wages	$ 589,377	-	589,377	621,396	(32,019)
Employee benefits	233,019	-	233,019	276,316	(43,297)
Materials and services	114,370	-	114,370	914,011	(799,641)
Communication and delivery	72,000	-	72,000	133,736	(61,736)
Grant expense – Federal	-	-	-	1,993,090	(1,993,090)
Total expenditures/expenses	1,008,766	-	1,008,766	3,938,549	(2,929,783)
Program revenues:					
Charge for services	109,954	-	109,954	228,858	118,904
California State Library Act appropriation	471,743	-	471,743	207,200	(264,543)
Operating grant – Federal	4,018,649	-	4,018,649	2,338,232	(1,680,417)
Program reimbursement	-	-	-	796,025	796,025
Total program revenues	4,600,346	-	4,600,346	3,570,315	(1,030,031)
General revenues:					
Member and associate dues	206,587	-	206,587	214,314	7,727
Interest earnings	-	-	-	6,594	6,594
Other revenues(expenses), net	(39,580)	-	(39,580)	88	39,668
Total general revenues	167,007	-	167,007	220,996	53,989
Total revenues	4,767,353	-	4,767,353	3,791,311	(976,042)
Net change in fund balance	3,758,587	-	3,758,587	(147,238)	(3,905,825)
Fund balance, beginning of year	2,401,614		2,401,614	2,401,614	
Fund balance, end of year	$ 6,160,201		6,160,201	2,254,376	

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, 2021
Last Ten Years*

Defined Benefit Pension Plan

Description	Measurement dates 6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Cooperative's proportion of the net pension liability/(asset)	0.01685%	0.01655%	0.01611%	0.01584%	0.01559%	0.01966%	0.01502%
Cooperative's proportionate share of the net pension liability/(asset)	$ 1,833,412	1,695,854	1,552,311	1,570,767	1,349,435	1,000,007	934,536
Cooperative's covered-employee payroll	$ 587,683	617,093	385,527	361,657	420,168	388,012	388,012
Cooperative's proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	311.97%	274.81%	402.65%	434.33%	321.17%	257.73%	240.85%
Plan's fiduciary net position as a percentage of total pension liability	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	81.15%

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

Changes in Benefit Terms

Public agencies can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for a specific plan can be found in the plan's annual valuation report.

Change of Assumptions and Methods

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

In fiscal year 2020, CalPERS implemented a new actuarial valuation software system for the June 30, 2018 valuation. This new system has refined and improved calculation methodology.

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

Changes of Assumptions and Methods, continued

In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%. The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. These changes will be implemented in two steps commencing in the June 30, 2017 funding valuation. However, for financial reporting purposes, these assumption changes are fully reflected in the results for fiscal year 2018.

In fiscal year 2017, the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF C from 7.50% to 7.00%, which is to be phased in over a three-year period (7.50% to7.375%, 7.375% to 7.25%, and 7.25% to 7.00%) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

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

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

Southern California Library Cooperative
Schedules of Pension Plan Contributions
For the Fiscal Year Ended June 30, 2021
Last Ten Years*

Defined Benefit Pension Plan

Description		6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Actuarially determined contribution	$	170,277	151,131	127,566	98,856	90,401	68,087	24,775
Contributions in relation to the actuarially determined contribution		(170,277)	(151,131)	(127,566)	(98,856)	(79,604)	(63,835)	(24,775)
Contribution deficiency (excess)	$	-	-	-	-	10,797	4,252	-
Cooperative's covered payroll	$	587,683	617,093	385,527	361,657	420,168	388,012	388,012
Contribution's as a percentage of covered-employee payroll		28.97%	24.49%	33.09%	27.33%	18.95%	16.45%	6.39%

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, 2021
Last Ten Years*

Other Post-Employment Benefits Payable

	2021	2020	2019	2018	2017
Total OPEB liability					
Service cost	$ 35,574	35,574	21,125	20,010	20,010
Interest	17,045	17,045	28,419	25,845	25,847
Employer contributions	(28,397)	(28,397)	(31,067)	(27,752)	(27,752)
Difference between expected and actual experience	(1,465)	(1,465)	(25,867)	-	-
Change of assumptions or other inputs	147,279	147,279	26,463	(25,991)	-
Net change in total OPEB liability	170,036	170,036	19,073	(7,888)	18,105
Total OPEB liability – beginning	941,953	771,917	752,844	760,732	742,627
Total OPEB liability – ending	$ 1,111,989	941,953	771,917	752,844	760,732
Covered-employee payroll	$ 622,220	617,093	592,171	403,772	361,657
Total OPEB liability as a percentage of covered-employee payroll	178.71%	152.64%	130.35%	186.45%	210.35%

Note to Schedule:

The Cooperative maintains no assets that are accumulated in a trust to pay related OPEB.

Changes in Benefit Terms – There were no changes to benefit terms.

Changes of Assumptions – In the June 30, 2021, actuarial valuation, the inflation rate used was 2.50% and discount rate used was 2.16% per year net of expenses.

In the June 30, 2017, actuarial valuation, the discount rate used was 3.8% compared to the discount rate of 3.5% used in the June 30, 2019 actuarial valuation and the 2.20% used as of the measurement date June 30, 2020.

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

Report on Internal Controls and Compliance

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 Southern California Library Cooperative (Cooperative) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises the Cooperative's basic financial statements, and have issued our report thereon dated June 30, 2022.

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 a certain deficiency in internal control, described in the accompanying schedule of finding and response as item 2021-001 that we consider to be a significant deficiency.

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*.

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

Purpose of this Report

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

Fedak & Brown LLP
Cypress, California
June 30, 2022

Southern California Library Cooperative
Schedule of Finding and Response
For the Fiscal Year Ended June 30, 2021

Finding Number	**Finding and Recommendation**
Significant Deficiency	
2021-001	Accounting Records
Criteria	Management is responsible for designing, implementing, and maintaining effective internal controls over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent, and detect and correct, material misstatement to the financial statements in a timely basis.
Condition	At the end of the fiscal year, the records of an organization should be reviewed by an employee with the skills, knowledge, and experience, and journal entries should be posted as necessary.
Cause	The Cooperative manages multiple organization and staffing is limited. As a result, the Cooperative recorded certain expenses based on the paid date instead of the incurred date. In addition, an adjustment to unearned revenues was overlooked for grant expenditures.
Effect	Audit entries were proposed to accrue expenses based on the incurred date and recognize revenues to offset grant expenses.
Recommendation	Personnel with the skill, knowledge, and experience should review its accounting records and post year-end journal entries. Thereafter, management should review the Cooperative's records to verify its accuracy. Based on the needs of the Cooperative, an additional accounting staff should be considered.
View of Responsible Officials	The Cooperative concurs with this finding.

Audit Agenda Item 07

DATE: September 28, 2022
TO: SCLC Audit & Finance Committee
FROM: Wayne Walker, Interim Executive Director, SCLC
SUBJECT: Investments Report

INVESTMENTS: The investment overview reflects the balance of the LAIF account as of August 2022. The CEPPT account balance is as of June 30, 2022, as the next quarterly statement will not be available until October.

*Note - $100,000 was transferred from the LAIF account on 11/5/2021 to open the CEPPT account.

Investment Fund	Beginning Balance	Ending Balance	Difference
Local Agency Investment Fund (LAIF)	$1,924,159	$1,832,835*	($91,324)
California Employers Pension Prefunding Trust (CEPPT)	$100,000*	$87,177	($12,823)
TOTALS	$2,024,159	$1,920,012	($104,147)

FISCAL IMPACT: None at this time.

RECOMMENDATION: Informational

ATTACHMENT: CEPPT Account Update Summary – June 30, 2022

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

CEPPT Account Update Summary

Southern California Library Cooperative

as of June 30, 2022

CalPERS

CEPPT Account Summary

As of June 30, 2022	Strategy 1	Strategy 2	Total
Initial contribution (11/05/2021)	$0	$100,000	$100,000
Additional contributions	$0	$0	$0
Disbursements	$0	$0	$0
CEPPT expenses	$0	($140)	($140)
Investment earnings	$0	($12,683)	($12,683)
Total assets (11/05/2021-06/30/2022 = .65 years)	$0	$87,177	$87,177

CEPPT/CERBT Investment Returns Outperform Benchmarks

Periods ended June 30, 2022

Fund	Assets	1 Month	3 Months	FYTD	1 Year	3 Years	5 Years	10 Years	ITD
CERBT Strategy 1 (Inception June 1, 2007)	$12,805,762,723	-6.65%	-12.97%	-13.35%	-13.35%	4.60%	5.60%	6.86%	4.86%
Benchmark		-6.71%	-13.07%	-13.55%	-13.55%	4.32%	5.32%	6.51%	4.45%
CERBT Strategy 2 (Inception October 1, 2011)	$1,750,235,674	-5.53%	-11.49%	-12.54%	-12.54%	3.35%	4.66%	5.69%	6.29%
Benchmark		-5.57%	-11.54%	-12.66%	-12.66%	3.15%	4.43%	5.37%	6.02%
CERBT Strategy 3 (Inception January 1, 2012)	$747,065,965	-4.56%	-9.82%	-10.72%	-10.72%	2.56%	3.91%	4.55%	4.81%
Benchmark		-4.59%	-9.84%	-10.77%	-10.77%	2.41%	3.73%	4.22%	4.53%
CERBT Total	**$16,954,078,879**								
CEPPT Strategy 1 (Inception October 1, 2019)	$58,090,430	-4.86%	-10.08%	-12.41%	-12.41%	-	-	-	2.49%
Benchmark		-4.95%	-10.24%	-12.62%	-12.62%	-	-	-	2.41%
CEPPT Strategy 2 (Inception January 1, 2020)	$25,825,663	-3.12%	-7.30%	-10.94%	-10.94%	-	-	-	-0.48%
Benchmark		-3.14%	-7.34%	-11.02%	-11.02%	-	-	-	-0.62%
CEPPT Total	**$70,697,726**								

CEPPT Portfolios

Portfolios	CEPPT Strategy 1	CEPPT Strategy 2
Expected Return	5.0%	4.0%
Risk	8.2%	5.2%

CEPPT Portfolio Details

Asset Classification	Benchmark	CEPPT Strategy 1	CEPPT Strategy 2
Global Equity	MSCI All Country World Index	40% ±5%	14% ±5%
Fixed Income	Bloomberg Barclays U.S. Aggregate Bond Index	47% ±5%	73% ±5%
Global Real Estate (REITs)	FTSE EPRA/NAREIT Developed Liquid Index	8% ±5%	8% ±5%
Treasury Inflation Protected Securities (TIPS)	Barclays Capital Global Real: US TIPS Index	5% ±3%	5% ±3%
Cash	3-Month Treasury Bill	0% +2%	0% +2%

Total Participation Cost Fee Rate

- Total all-inclusive cost of participation
  - Combines administrative, custodial, and investment fees
  - Separate trust funds
  - Self-funded, fee rate may change in the future
  - Fee is applied daily to assets under management
    - 10 basis points - CERBT
    - 25 basis points - CEPPT

CEPPT/CERBT Consistently Low Fee Rate History

Fiscal Year	CERBT	CEPPT
2007-2008	2.00 basis points	-
2008-2009	6.00 basis points	-
2009-2010	9.00 basis points	-
2010-2011	12.00 basis points	-
2011-2012	12.00 basis points	-
2012-2013	15.00 basis points	-
2013-2014	14.00 basis points	-
2014-2015	10.00 basis points	-
2015-2016	10.00 basis points	-
2016-2017	10.00 basis points	-
2017-2018	10.00 basis points	-
2018-2019	10.00 basis points	-
2019-2020	10.00 basis points	25.00 basis points
2020-2021	10.00 basis points	25.00 basis points
2021-2022	10.00 basis points	25.00 basis points
2022-2023	**10.00 basis points**	**25.00 basis points**

618 Prefunding Program Employers

598 CERBT and 72 CEPPT

- State of California
- 157 Cities or Towns
- 10 Counties
- 81 School Employers
- 32 Courts
- 337 Special Districts and other Public Agencies
    - (101 Water, 37 Sanitation, 34 Fire, 25 Transportation)

Questions? Where to Get Trust Fund Information?

Name	Title	E-mail	Desk	Mobile
Matt Goss	Outreach & Support Program Manager	Matthew.Goss@calpers.ca.gov	(916) 795-9071	(916) 382-6487
Karen Lookingbill	Outreach & Support Manager	Karen.Lookingbill@calpers.ca.gov	(916) 795-1387	(916) 501-2219
Jasper Jacobs	Outreach & Support Analyst	Jasper.Jacobs@calpers.ca.gov	(916) 795-0432	(916) 717-3886
Colleen Cain-Herrback	Administration & Reporting Program Manager	Colleen.Cain-Herrback@calpers.ca.gov	(916) 795-2474	(916) 505-2506
Vic Anderson	Administration & Reporting Manager	Victor.Anderson@calpers.ca.gov	(916) 795-3739	(916) 281-8214
Robert Sharp	Assistant Division Chief	Robert.Sharp@calpers.ca.gov	(916) 795-3878	(916) 397-0756

Program E-mail Addresses	Prefunding Programs Webpages
CEPPT4U@calpers.ca.gov – Questions & Document Submittal	www.calpers.ca.gov/CEPPT
CERBT4U@calpers.ca.gov – Questions & Document Submittal	www.calpers.ca.gov/CERBT
CERBTACCOUNT@calpers.ca.gov – Online Record Keeping System	

DATE: September 28, 2022
TO: Audit and Finance Committee
FROM: Jesse Walker-Lanz – Chair
SUBJECT: Revenue Generation for SCLC

BACKGROUND: At the May 25, 2022 meeting of the Administrative Council, at the recommendation of the Executive Council, the group directed the Audit & Finance Committee to:

1. Explore alternative funding mechanisms for SCLC and report back to the Administrative Council; and
2. Work with, support, and assist SCLC staff as they seek out and apply for funding opportunities.

DISCUSSION: Currently, SCLC staff is facing significant staffing challenges, with the Executive Director and Controller positions being served by interim and temporary staff, respectively. As these are the two staff positions that this group would be supporting in endeavors to seek out and apply for funding opportunities, this function will be paused until the recruitments are completed and permanent appointments have been made. In the meantime, this gives the Audit & Finance Committee time to discuss and plan an approach on how we will work together on the exploration of alternate funding and subsequent report back to the Administrative Committee.

FISCAL IMPACT: To be determined

RECOMMENDATION: Informational

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

SCLC Audit and Finance Committee Meeting Dates
Approved by the Administrative Council on May 25, 2022
Updated 09122022

2022/23

Wednesday, July 6, 2022 - *cancelled*
3:30-4:30pm

Wednesday, September 28, 2022 – *time change*
2:30-3:30pm

Wednesday, February 1, 2023
3:30-4:30pm

Wednesday, April 5, 2023
3:30-4:30pm

Meetings will be held via Zoom.
Locations will be determined if needed.

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