



**Southern California Library Cooperative
Audit and Finance Committee Meeting**

**Wednesday, February 7, 2024
3:30pm**

Online Meeting

Alternate Zoom Locations:

Alhambra Library, 101 S. First St., Alhambra, CA 91801
City of Calabasas Library, 200 Civic Center Way, Calabasas, CA 91302
Santa Monica Main Library, 601 Santa Monica, Blvd., Santa Monica, CA 90401
Torrance Public Library, 3301 Torrance Blvd., Torrance, CA 90503
Ventura County Library, 5600 Everglades St., Suite A, Ventura, CA 93003

Join Zoom Meeting

<https://us02web.zoom.us/j/85687309884?pwd=Uzk4cWV1ejJxV2ILRDQvUW0zaE50dz09>

Meeting ID: 856 8730 9884

Passcode: 290422

AGENDA

All items may be considered for action.

1. Opening Hilda LohGuan
 - a. Chairperson's welcome
Chairperson introduces new attendees and Committee members.
 - b. Roll call

2. Public Forum Hilda LohGuan
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 | Hilda LohGuan |
| 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 September 7, 2023 Audit and Finance Committee meeting. | |
| 4. Adoption of Agenda | Hilda LohGuan |
| 5. Budget Status Report FY2023/24
(DISCUSSION) | Andy Beck |
| 6. SCLC Investments Report
(DISCUSSION) | Andy Beck |
| 7. Audit FY 2022/23
(ACTION) | Andy Beck |
| 8. Revenue Generation
(DISCUSSION) | Hilda LohGuan |
| 9. Adjournment | Hilda LohGuan |



ACTION ITEMS

Meeting: _____ Audit and Finance Committee _____

Date: _____ February 7, 2024 _____

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



SCLC Audit and Finance Committee Meeting
Wednesday, September 27, 2023
3:30pm

Meeting Locations:

- Alhambra Library 101 S. First St., Alhambra, CA 91801
- Calabasas Library, 200 Civic Center Way, Calabasas, CA 91302
- Santa Clarita Public Library 24500 Main St., Santa Clarita, CA 91321
- Santa Monica Main Library 601 Santa Monica, Blvd., Santa Monica, CA 90401
- Torrance Public Library 3301 Torrance Blvd., Torrance, CA 90503
- Ventura County Library 5600 Everglades St., Suite A, Ventura, CA 93003

Minutes draft

Attendance

- Cousin, Heather – Torrance
- Cuyugan, Erica – Santa Monica
- Lockwood, Barbara – Calabasas
- LohGuan, Hilda – Alhambra
- Schram, Nancy – Ventura
- Vonnegut, Shannon – Santa Clarita

Other

- Beck, Andy – SCLC
- Graver, Lori – SCLC
- Powers, Christine – SCLC
- Walker, Wayne - SCLC

1. Opening Hilda LohGuan
Meeting called to order at 3:32pm.

2. Public Forum Hilda LohGuan
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.
None.

3. Consent Calendar Hilda LohGuan

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 August 2, 2023 Audit and Finance Committee meeting.
MSP (Cuyugan/Vonnegut) to pass the Consent Calendar, without change.
5 yes, 0 no, 1 abstain

- 4. Adoption of Agenda Hilda LohGuan
MSP (Lockwood/Schram) to accept the Agenda, as presented. Chair accepted the Agenda, without objection.
- 5. Budget Status Report FY2023/24 Andy Beck
Budget Status Report for Fiscal Year 2023/24 reflects reconciled bank statements through July 31, 2023. There are no unexpected expenses through the month of July 2023. Prior years' rollover funds are expected to be spent with the exception of \$428,686 for e-Resources.
- 6. SCLC Investments Report Andy Beck
The investment overview reflects the balance of the LAIF and CEPPT accounts as of June 30, 2023.

	LAIF	CEPPT	Total
Balance as of July 1, 2022	\$ 1,805,857	\$ 87,177	\$ 1,893,034
Change in interest receivable	(12,131)	-	(12,131)
Interest revenue	43,860	-	43,860
Fair market adjustment	(4,683)	2,083	(2,600)
<u>Administrative expenses</u>	<u>-</u>	<u>(200)</u>	<u>(200)</u>
Balance as of June 30, 2023	\$ 1,832,903	\$ 89,060	\$ 1,921,963

Currently, staff are working with JP Morgan Chase to transfer funds to a certificate of deposit as approved by the Administrative Council.

- 7. Banking Status Update Christine Powers
With the recommendation of the Audit & Finance Committee, the Administrative Council approved to switch SCLC's banking institution from Pacific Western Bank to a "larger bank." Initially, SCLC staff decided to switch to Bank of America; however, staff discovered that Bank of America does not accommodate governmental organizations and funds over FDIC coverage (\$250,000) would not be collateralized.

As a result, SCLC staff selected an alternative "larger bank" JP Morgan Chase, which does support governmental organizations and will be able to provide coverage over the FDIC limit to SCLC's account. The application process was started in July 2023, and completed before the end of August. Executive Director Christine Powers, Project Manager Nerissa Snodgrass, Chair Jesse Walker-Lanz, and Vice-Chair Hilda LohGuan are authorized signers on the account. Chase has provided a check scanner at no additional cost, which allows staff to deposit checks from the office, rather than physically going to the bank.

Southern California Library Cooperative
222 E. Harvard St. Glendale, CA 91205
(626) 283-5949 • Fax (626) 283-5949

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

Staff are in the process of switching the four contracted cooperatives to JP Morgan Chase as part of the plan to streamline operations, and to ensure that cooperatives are set up appropriately.

8. Revenue Generation Hilda LohGuan
Through discussions and recommendations that were generated by this Committee, two revenue generating initiatives have been implemented for fiscal year 2023-24: an increase in membership dues and investment income that will be generated via Certificate of Deposit accounts. Currently, staff are focused on ways to decrease any existing expenditures.

This will remain a standing item on the agenda, as requested by the Committee, until directed otherwise.

9. Other Hilda LohGuan
"...that is, matters initiated in the present meeting." Robert's Rules of Order, Revised, III, p.21. Limited by Brown Act to discussion only.
None.

10. Adjournment Hilda LohGuan
MSP (Cuyugan/Lockwood) to adjourn meeting at 3:45pm.



REPORT TO THE AUDIT & FINANCE COMMITTEE
SOUTHERN CALIFORNIA LIBRARY COOPERATIVE

DATE: February 7, 2024
FROM: Andy Beck, Controller

SUBJECT: **FY 2023/24 Budget Status Report – DISCUSSION**

BACKGROUND: Budget Status Report for Fiscal Year 2023/24 is attached for review and reflects reconciled bank statements through December 31, 2023.

Financial highlights for revenues include the receipt of 75% membership dues. For expenses, the addition of *The Economist* to SCLC's PressReader subscription, totaling \$62,913.30, will be amortized for the next ten months.

CLSA rollover funds from FYs 2020/21 through 2022/23, totaling \$861,942, were rolled over to FY 2023/24. Rolled over CLSA funds are anticipated to be spent, with the exception of \$365,773 for e-Resources which is the reduced balance after considering the cost of *The Economist*. Funds can be allocated as recommended by the Administrative Council.

FISCAL IMPACT: None

RECOMMENDATION: Information

EXHIBITS: Budget to Actual Report

Southern California Library Cooperative
Budget Status Report
December 31, 2023

	Proposed Budget FY 23/24	FY22/23 Actual	FY2324 Actual	Amount Unrealized	Percent Unrealized	Percent Realized	Note
Revenues:							
CLSA baseline revenue (communications and delivery)	\$ 599,447	\$ 142,870	\$ 159,626	\$ 439,821	73%	27%	Rollover = 39,843; CLSA = 559,604
CLSA system administration	139,900	140,833	69,950	69,950	50%	50%	Received in December 2023
Fiscal and administration revenues	223,784	211,702	115,488	108,296	48%	52%	CLSA = 202,209; Shared expense = 21,575
Grant project revenues	1,226,432	2,377,231	338,230	888,202	72%	28%	
Grant indirect revenues	131,523	161,330	27,332	104,191	79%	21%	
Grant staffing revenues	142,045	84,781	74,677	67,368	47%	53%	
Membership dues	237,064	210,681	237,065	(1)	0%	100%	Lump sum billing; 75% received
Califa membership dues	13,590	13,590	13,591	(1)	0%	100%	Lump sum billing; 75% received
Investment income	100,000	40,115	67,774	32,226	32%	68%	LAIF and CEPPT reported quarterly
Other	1,000	3,057	1,588	(588)	-59%	159%	
Total revenues	2,814,785	3,386,190	1,105,321	1,709,464	61%	39%	
Expenditures:							
CLSA baseline expenditures:							
Office supplies	13,000	4,172	4,056	8,944	69%	31%	
Duplication and photocopies	1,500	1,735	720	780	52%	48%	
E-Resources	369,647	1,212	99,673	269,974	73%	27%	
Contract services for delivery	172,500	68,206	30,440	142,060	82%	18%	Reliant
Contract services	19,000	15,869	12,840	6,160	32%	68%	Audit; GASB 75
Telecommunications	21,800	16,681	11,897	9,903	45%	55%	Internet; website; IT; Phone; VOIP; Zoom
Resource sharing	-	34,995	-	-			PY - Scanners; CY - No allocation
Capital Outlay	2,000	-	-	2,000	100%	0%	
Total CLSA baseline expenditures	599,447	142,870	159,626	439,821	73%	27%	
CLSA administration expenditures:							
Personnel							
Salary and wages	603,693	517,555	303,740	299,953	50%	50%	
Retirement benefits	62,700	46,628	30,961	31,739	51%	49%	
Unfunded pension liability	151,107	152,775	146,217	4,890	3%	97%	Discount with one time payment
Health insurance - current employees	56,000	46,491	26,922	29,078	52%	48%	
Health insurance - retired employees	46,300	47,102	22,855	23,445	51%	49%	
Dental and vision	5,400	5,063	2,674	2,726	50%	50%	Ameritas
Life insurance	2,300	1,214	774	1,526	66%	34%	Lincoln; Dearborn
Other personnel expenses	15,500	14,394	8,795	6,705	43%	57%	Payroll tax; Workers comp
Total personnel expenditures	943,000	831,222	542,938	400,062	42%	58%	
Other							
Payroll processing	7,000	7,766	3,330	3,670	52%	48%	Paychex; Paychex HR; Time/Attendance
Accounting software	4,000	3,969	4,118	(118)	-3%	103%	Lump sum payment
Office space rent	25,800	25,716	12,858	12,942	50%	50%	
Insurance	2,400	2,280	1,181	1,219	51%	49%	General liability
Travel/conference/meeting	10,000	9,028	609	9,391	94%	6%	
Membership dues	14,600	13,848	13,590	1,010	7%	93%	Payment to Califa
Legal	12,000	11,220	1,280	10,720	89%	11%	
Professional other	-	79,423	-	-			PY Accountant; Consultant
Other	3,000	3,590	1,628	1,372	46%	54%	GASB 68 report
Total other expenditures	78,800	156,840	38,594	40,206	51%	49%	
Total CLSA administration expenditures	1,021,800	988,062	581,532	440,268	43%	57%	
Grant project expenditure	1,226,432	2,377,231	338,230	888,202	72%	28%	
Total expenditure	2,847,679	3,508,163	1,079,388	1,768,291	62%	38%	
Deficit of revenues over expenditures	\$ (32,894)	\$ (121,973)	\$ 25,933	\$ (58,827)	179%	-79%	

SCLC ACCOUNT BALANCES

Pacific Western Bank	\$ 350,146
Chase	3,513,349
Local Agency Investment Fund	161,202
CA Employer's Pension Prefunding Trust	93,029
Total	\$ 4,117,725

Southern California Library Cooperative
Budget Status Report
December 31, 2023

CLSA FUNDS

	FISCAL YEAR 2023-24			
	Beginning	Addition	Deletions	Ending
E-Resources	\$ -	\$ 379,630	\$ -	\$ 379,630
Delivery	-	150,487	(8,586)	141,901
Contracted services	-	15,764	(9,604)	6,160
Office supplies	-	11,723	(1,383)	10,340
Capital outlay	-	2,000	-	2,000
	<u>\$ -</u>	<u>\$ 559,604</u>	<u>\$ (19,573)</u>	<u>\$ 540,031</u>

	FISCAL YEAR 2022-23				
	Beginning	Addition	Deletions	Ending	
E-Resources	\$ 445,338	\$ -	\$ (6,291)	\$ 439,047	Pressreader \$16,653; Economist \$62,913; Remaining \$365,773
Delivery	21,854	-	(21,854)	-	
Contracted services	3,236	-	(3,236)	-	
Telecommunications	30,000	-	(8,379)	21,621	
Office supplies	3,393	-	(3,393)	-	
	<u>\$ 503,821</u>	<u>\$ -</u>	<u>\$ (43,153)</u>	<u>\$ 460,668</u>	

	FISCAL YEAR 2021-22				
	Beginning	Addition	Deletions	Ending	
E-Resources	\$ 288,419	\$ -	\$ (28,746)	\$ 259,673	Pressreader
Telecommunications	3,519	-	(3,519)	-	
	<u>\$ 291,938</u>	<u>\$ -</u>	<u>\$ (32,265)</u>	<u>\$ 259,673</u>	

	FISCAL YEAR 2020-21				
	Beginning	Addition	Deletions	Ending	
E-Resources	\$ 64,636	\$ -	\$ (64,636)	\$ -	Pressreader
	<u>\$ 64,636</u>	<u>\$ -</u>	<u>\$ (64,636)</u>	<u>\$ -</u>	



REPORT TO THE AUDIT & FINANCE COMMITTEE
SOUTHERN CALIFORNIA LIBRARY COOPERATIVE

DATE: February 7, 2024
FROM: Andy Beck, Controller

SUBJECT: **SCLC Investments Report – DISCUSSION**

INVESTMENTS: The investment overview reflects the balance of the LAIF, CD, and CEPPT accounts as of December 31, 2023.

	<u>LAIF</u>	<u>CD</u>	<u>CEPPT</u>	<u>Total</u>
Balance as of July 1, 2023	\$ 1,832,903	\$ -	\$ 89,059	\$ 1,921,962
Deposit	-	2,000,000	-	2,000,000
Withdrawal	(1,725,000)	-	-	(1,725,000)
Change in interest receivable	12,996	-	-	12,996
Interest revenue	13,115	23,500	-	36,615
Fair market adjustment	27,189	-	3,970	31,159
Administrative expenses	-	-	(50)	(50)
Balance as of December 31, 2023	<u>\$ 161,203</u>	<u>\$ 2,023,500</u>	<u>\$ 92,979</u>	<u>\$ 2,277,682</u>

FISCAL IMPACT: None

RECOMMENDATION: Informational



REPORT TO THE AUDIT & FINANCE COMMITTEE
SOUTHERN CALIFORNIA LIBRARY COOPERATIVE

DATE: February 7, 2024
FROM: Andy Beck, Controller

SUBJECT: **FY 2022/23 Audit (ACTION)**

BACKGROUND: Interim testing was conducted in November 2023 for four systems managed by SCLC. For SCLC, final fieldwork was completed in January. The draft Financial Statements for SCLC have been included for review.

For the fiscal year ended June 30, 2023, there were no material weaknesses or significant deficiencies.

FISCAL IMPACT: None

RECOMMENDATION: To recommend to the Administrative Council the acceptance of the Financial Audit.

EXHIBITS: Draft audited financial statements; Draft management report



Southern California Library Cooperative

Annual Financial Report

For the Fiscal Year Ended June 30, 2023

DRAFT

DRAFT

Southern California Library Cooperative

Annual Financial Report

For the Fiscal Year Ended June 30, 2023

DRAFT

**Southern California Library Cooperative
Annual Financial Report
For the Fiscal Year Ended June 30, 2023**

Table of Contents

	<u>Page No.</u>
Table of Contents	i
Financial Section	
Independent Auditor’s Report	1-3
Management’s Discussion and Analysis	4-7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	8-9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet of Governmental Type Fund	11
Reconciliation of the Balance Sheet of Governmental Type Fund to the Statement of Net Position	12
Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Type Fund	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Type Fund to the Statement of Activities	14
Statement of Fiduciary Net Position	15
Statement of Fiduciary Activities	16
Notes to the Basic Financial Statements	17-36
Required Supplementary Information Section	
Budgetary Comparison Schedule – General Fund	37
Notes to Required Supplementary Information	37
Schedules of the Cooperative’s Proportionate Share of the Net Pension Liability	38-39
Schedules of Pension Plan Contributions	40
Schedules of Changes in the Cooperative’s Total OPEB Liability and Related Ratios	41
Report on Compliance and Internal Controls	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42-43

Financial Section

DRAFT

DRAFT

Independent Auditor's Report

Administrative Council
Southern California Library Cooperative
Glendale, 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, 2023, and the related notes to the financial statements, which collectively comprise the Cooperative's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Southern California Library Cooperative as of June 30, 2023, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report, continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, and the required supplementary information on pages 37 through 41, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Independent Auditor's Report, continued

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 7, 2024, 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 42 and 43.

C.J. Brown & Company, CPAs
Cypress, California
February 7, 2024

Southern California Library Cooperative
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023

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, 2023. 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 2023, the Cooperative's net position increased 40.18%, or 335,689 from ongoing operations.
- In fiscal year 2023, the Cooperative's total revenues decreased 40.35%, or \$2,519,043 to \$3,724,535 from \$6,243,578.
- In fiscal year 2023, the Cooperative's total expenses decreased 50.37%, or \$3,439,400 to \$3,388,846 from \$6,828,246.

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.

Southern California Library Cooperative
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2023

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 17 through 36.

Government-wide Financial Analysis

Statement of Net Position

Condensed Statements of Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Assets:			
Current assets	\$ 3,930,436	5,168,523	(1,238,087)
Non-current assets	25,534	51,069	(25,535)
Total assets	<u>3,955,970</u>	<u>5,219,592</u>	<u>(1,263,622)</u>
Deferred outflows of resources	<u>869,584</u>	<u>320,370</u>	<u>549,214</u>
Liabilities:			
Current liabilities	2,013,243	3,134,456	(1,121,213)
Non-current liabilities	3,114,307	2,089,079	1,025,228
Total liabilities	<u>5,127,550</u>	<u>5,223,535</u>	<u>(95,985)</u>
Deferred inflows of resources	<u>197,742</u>	<u>1,151,854</u>	<u>(954,112)</u>
Net position:			
Net investment in capital assets	(118)	(118)	-
Restricted	89,059	87,177	1,882
Unrestricted	(588,679)	(922,486)	333,807
Total net position	<u>\$ (499,738)</u>	<u>(835,427)</u>	<u>335,689</u>

Southern California Library Cooperative
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2023

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 \$499,738, as of June 30, 2023.

At June 30, 2023, the Cooperative's total net position is made up of three components: (1) net investments in capital assets in the amount of \$(118), (2) restricted in the amount of \$89,059, and (3) unrestricted (deficit) in the amount of \$(588,679). See note 9 for further information.

Statement of Activities

Condensed Statements of Activities

<i>Governmental Activities:</i>	<u>2023</u>	<u>2022</u>	<u>Change</u>
Expenses:			
Cooperative operations	\$ 3,388,846	6,828,246	(3,439,400)
Total expenses	<u>3,388,846</u>	<u>6,828,246</u>	<u>(3,439,400)</u>
Program revenues	3,457,092	6,045,925	(2,588,833)
General revenues	<u>267,443</u>	<u>197,653</u>	<u>69,790</u>
Total revenues	<u>3,724,535</u>	<u>6,243,578</u>	<u>(2,519,043)</u>
Changes in net position	335,689	(584,668)	920,357
Net position, beginning of year	<u>(835,427)</u>	<u>(250,759)</u>	<u>(584,668)</u>
Net position, end of year	<u>\$ (499,738)</u>	<u>(835,427)</u>	<u>335,689</u>

The statement of activities shows how the government's net position changes during a fiscal year. In the case of the Cooperative, net position increased \$335,689 from ongoing operations.

In fiscal year 2023, the Cooperative's total revenues decreased 40.35%, or \$2,519,043 to \$3,724,535 from \$6,243,578 due primarily to decreases of \$1,292,566 in Federal grant revenues, \$712,810 in California State Library Act appropriations, and \$566,132 in program reimbursements; which were offset by an increase of \$69,405 in investment returns.

In fiscal year 2023, the Cooperative's total expenses decreased 50.37%, or \$3,439,400 to \$3,388,846 from \$6,828,246 due primarily to decreases of \$1,281,840 in Federal grant expense, \$973,110 in personnel costs (salaries and wages and employee benefits), \$658,306 in communication and delivery, and \$526,145 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, 2023, the Cooperative's General Fund reported a fund balance of \$1,976,483. An amount of \$1,851,328 constitutes the Cooperative's *unassigned fund balance*, which is available for future expenditures.

Southern California Library Cooperative
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2023

General Fund Budgetary Highlights

In 2023, actual expenditures were less than the anticipated budget by \$1,231,408. The variance is due primarily to actual Federal grant expenditures, and personnel costs (salaries and wages and employee benefits) being less than budget by \$986,793 and \$189,005, respectively.

In 2023, actual revenues were less than the anticipated budget by \$1,170,297. The variance is due primarily to actual operating grant – Federal, California State Library Act appropriation, and charges for services being less than budget by \$740,682, \$623,036, and \$169,346, respectively, which were offset by program reimbursement being more than budget by \$338,345. The General Fund budget to actual comparison schedule can be found on page 37.

Capital Asset Administration

Changes in capital assets for 2023, were as follows:

	<u>Balance 2022</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2023</u>
Depreciable assets:	\$ 186,366	-	-	186,366
Accumulated depreciation	(135,297)	(25,535)	-	(160,832)
Total capital assets, net	\$ 51,069	(25,535)	-	25,534

See note 3 for further information.

Conditions Affecting Current Financial Position

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's Controller at the Southern California Library Cooperative, 222 East Harvard Street, Glendale, CA 91205.

Basic Financial Statements

DRAFT

Southern California Library Cooperative
Statement of Net Position
June 30, 2023

	2023
Current assets:	
Cash and cash equivalents (note 2)	\$ 3,656,118
Cash and cash equivalents - restricted (note 2)	89,059
Accrued interest receivable	14,613
Accounts receivable	168,188
Prepaid expenses and deposits	2,458
Total current assets	3,930,436
Non-current assets:	
Capital assets, net (note 3)	25,534
Total non-current assets	25,534
Total assets	3,955,970
Deferred outflows of resources:	
Deferred OPEB outflows (note 6)	51,584
Deferred pension outflows (note 7)	818,000
Total deferred outflows of resources	\$ 869,584

Continued on next page

See accompanying notes to the basic financial statements

Southern California Library Cooperative
Statement of Net Position, continued
June 30, 2023

	2023
Current liabilities:	
Accounts payable and accrued expenses	\$ 135,883
Accrued payroll and related expenses	11,395
Compensated absences (note 4)	33,638
Deposits from members	55,630
Unearned revenues	1,751,045
Long-term liabilities - due within one year:	
Lease obligation (note 5)	25,652
Total current liabilities	2,013,243
Non-current liabilities:	
Long-term liabilities - due in more than one year:	
Other post-employment benefit payable (note 6)	981,620
Net pension liability (note 7)	2,132,687
Total non-current liabilities	3,114,307
Total liabilities	5,127,550
Deferred inflows of resources:	
Deferred OPEB inflows (note 6)	18,788
Deferred pension inflows (note 7)	178,954
Total deferred inflows of resources	197,742
Net position: (note 9)	
Net investment in capital assets	(118)
Restricted	89,059
Unrestricted	(588,679)
Total net position	\$ (499,738)

See accompanying notes to the basic financial statements

**Southern California Library Cooperative
Statement of Activities
For the Fiscal Year Ended June 30, 2023**

<i>Governmental Activities:</i>	<u>2023</u>
Expenses:	
Cooperative operations:	
Salaries and wages	\$ 517,555
Employee benefits	(143,996)
Materials and services	486,510
Communication and delivery	126,011
Grant expense – Federal	2,377,231
Depreciation expense	25,535
Total expenses	<u>3,388,846</u>
Program revenues:	
Charge for services	211,702
California State Library Act appropriations	283,703
Operating grant – Federal	2,623,342
Program reimbursement	338,345
Total program revenues	<u>3,457,092</u>
Net program expense	<u>68,246</u>
General revenues:	
Member and associate dues	224,271
Investment returns	40,115
Other revenues, net	3,057
Total general revenues	<u>267,443</u>
Changes in net position	335,689
Net position, beginning of year	<u>(835,427)</u>
Net position, end of year	<u>\$ (499,738)</u>

See accompanying notes to the basic financial statements

Southern California Library Cooperative
Balance Sheet of Governmental Type Fund
June 30, 2023

	<u>General Fund</u>	<u>Reclassifications & Eliminations</u>	<u>Statement of Net Position</u>
Assets:			
Cash and cash equivalents	\$ 3,656,118	-	3,656,118
Cash and cash equivalents - restricted	89,059	-	89,059
Accrued interest receivable	14,613	-	14,613
Accounts receivable	168,188	-	168,188
Prepaid expenses and deposits	2,458	-	2,458
Capital assets, net	-	25,534	25,534
Total assets	<u>3,930,436</u>	<u>25,534</u>	<u>3,955,970</u>
Deferred outflows of resources:			
Deferred OPEB outflows	-	51,584	51,584
Deferred pension outflows	-	818,000	818,000
Total deferred outflows of resources	<u>-</u>	<u>869,584</u>	<u>869,584</u>
Liabilities:			
Accounts payable and accrued expenses	135,883	-	135,883
Accrued payroll and related expenses	11,395	-	11,395
Compensated absences	-	33,638	33,638
Deposits from members	55,630	-	55,630
Unearned revenue	1,751,045	-	1,751,045
Lease obligation	-	25,652	25,652
Net other post-employment benefit liability	-	981,620	981,620
Net pension liability	-	2,132,687	2,132,687
Total liabilities	<u>1,953,953</u>	<u>3,173,597</u>	<u>5,127,550</u>
Deferred inflows of resources:			
Deferred OPEB inflows	-	18,788	18,788
Deferred pension inflows	-	178,954	178,954
Total deferred inflows of resources	<u>-</u>	<u>197,742</u>	<u>197,742</u>
Fund balance: (note 10)			
Nonspendable	2,458	(2,458)	-
Restricted	89,059	(89,059)	-
Assigned	33,638	(33,638)	-
Unassigned	1,851,328	(1,851,328)	-
Total fund balance	<u>1,976,483</u>	<u>(1,976,483)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 3,930,436</u>		
Net position:			
Net investment in capital assets		(118)	(118)
Restricted		89,059	89,059
Unrestricted		\$ (588,679)	(588,679)
Total net position		<u>\$ (499,738)</u>	<u>(499,738)</u>

See accompanying notes to the basic financial statements

**Southern California Library Cooperative
Reconciliation of the Balance Sheet of Governmental
Type Fund to the Statement of Net Position
June 30, 2023**

2023

Reconciliation:

Fund balance- Governmental Fund	\$	1,976,483
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Non-current assets and deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund balance sheet. However, the statement of net position includes these assets of the Cooperative as a whole as follows:</p>		
Capital assets, net		25,534
Deferred OPEB outflows		51,584
Deferred pension outflows		818,000
<p>Long-term liabilities and deferred inflows of resources applicable to the Cooperative are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities both current and long-term are reported in the statement of net position.</p>		
Compensated absences		(33,638)
Lease obligation		(25,652)
Net other post-employment benefits payable		(981,620)
Net pension liability		(2,132,687)
Deferred OPEB inflows		(18,788)
Deferred pension inflows		(178,954)
Net position of Governmental Activities	\$	<u>(499,738)</u>

**Southern California Library Cooperative
Statement of Revenues, Expenditures, and Changes in
Fund Balance of Governmental Type Fund
For the Fiscal Year Ended June 30, 2023**

	<u>General Fund</u>	<u>Reclassifications & Eliminations</u>	<u>Statement of Activities</u>
Expenditures/Expenses:			
Cooperative operations:			
Salaries and wages	\$ 522,772	(5,217)	517,555
Employee benefits	308,449	(452,445)	(143,996)
Materials and services	512,045	(25,535)	486,510
Communication and delivery	126,011	-	126,011
Grant expense – Federal	2,377,231	-	2,377,231
Depreciation	-	25,535	25,535
Total expenditures/expenses	<u>3,846,508</u>	<u>(457,662)</u>	<u>3,388,846</u>
Program revenues:			
Charge for services	211,702	-	211,702
California State Library Act appropriations	283,703	-	283,703
Operating grant – Federal	2,623,342	-	2,623,342
Program reimbursement	338,345	-	338,345
Total program revenues	<u>3,457,092</u>	<u>-</u>	<u>3,457,092</u>
Net program expense			<u>68,246</u>
General revenues:			
Member and associate dues	224,271	-	224,271
Investment returns	40,115	-	40,115
Other revenues, net	3,057	-	3,057
Total general revenues	<u>267,443</u>	<u>-</u>	<u>267,443</u>
Total revenues	<u>3,724,535</u>	<u>-</u>	
Excess of expenditures over revenues	(121,973)	121,973	
Changes in net position	-	335,689	335,689
Fund balance/Net position, beginning of year	<u>2,098,456</u>	<u>-</u>	<u>(835,427)</u>
Fund balance/Net position, end of year	<u>\$ 1,976,483</u>	<u>-</u>	<u>(499,738)</u>

See accompanying notes to the basic financial statements

**Southern California Library Cooperative
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balance of Governmental Type Fund to the Statement of Activities
 For the Fiscal Year Ended June 30, 2023**

Reconciliation:

Net change in fund balance - Governmental Fund \$ (121,973)

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:

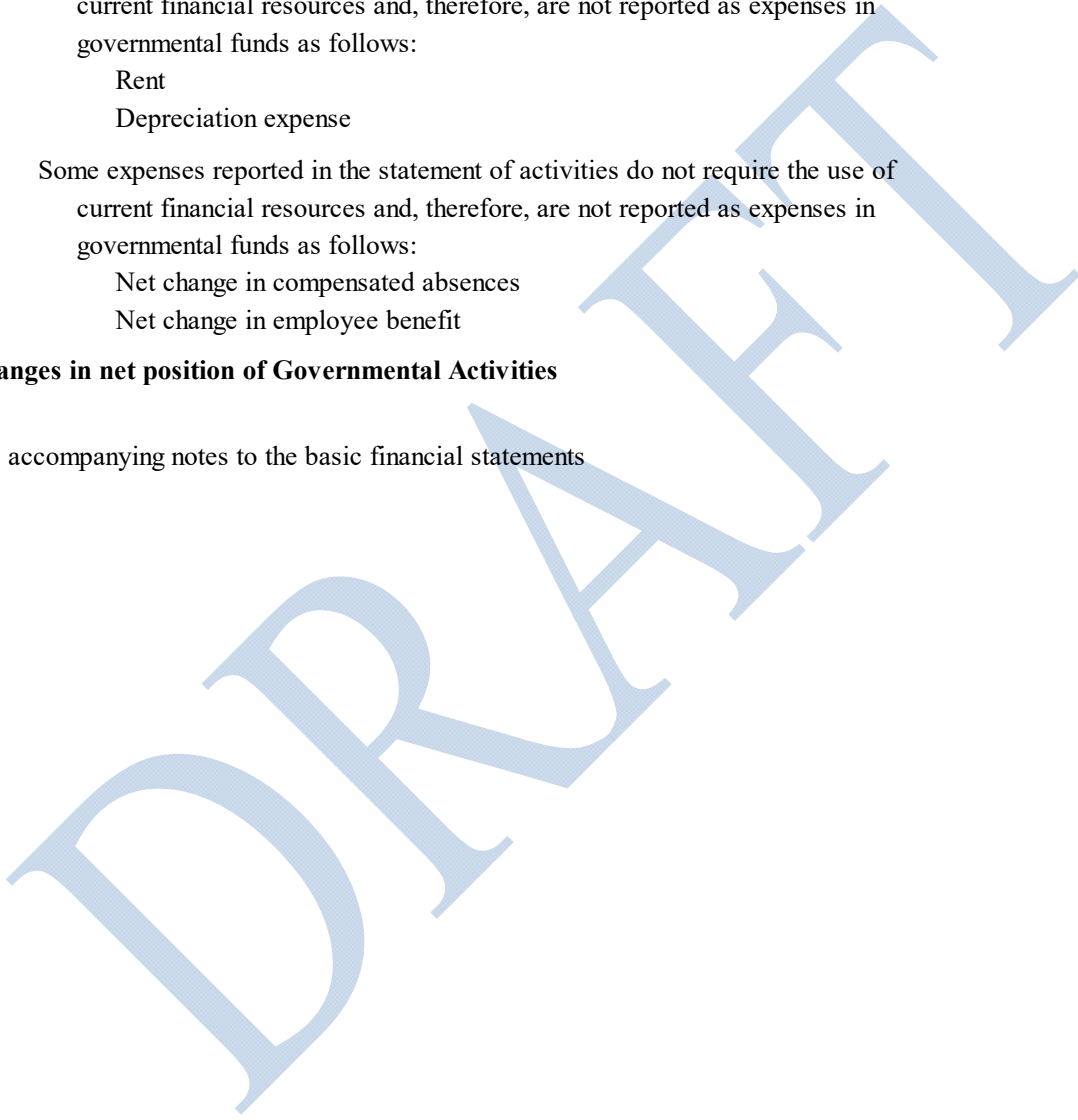
Rent	25,535
Depreciation expense	(25,535)

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	5,217
Net change in employee benefit	<u>452,445</u>

Changes in net position of Governmental Activities \$ 335,689

See accompanying notes to the basic financial statements



Southern California Library Cooperative
Statement of Fiduciary Net Position
June 30, 2023

	2023
Assets:	
Cash and cash equivalents (note 2)	\$ <u>66,806</u>
Total assets	<u>66,806</u>
Liabilities:	
Deposits from members	<u>66,806</u>
Total liabilities	<u>66,806</u>
Net position:	
Held in trust for member library benefits	<u>-</u>
Total net position	<u>\$ -</u>

See accompanying notes to the basic financial statements

DRAFT

**Southern California Library Cooperative
Statement of Fiduciary Activities
For the Year Ended June 30, 2023**

		<u>2023</u>
Additions:		
Member library reimbursements	\$	<u>14,379</u>
Total additions		<u>14,379</u>
Deductions:		
Program expenses		<u>14,379</u>
Total deductions		<u>14,379</u>
Changes in net position		-
Net position, beginning of year		<u>-</u>
Net position, end of year	\$	<u>-</u>

See accompanying notes to the basic financial statements

DRAFT

Southern California Library Cooperative
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

(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 40 independent cities 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 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.

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(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 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 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.

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

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

C. Financial Reporting, continued

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.

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.

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. 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.

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

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

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

3. Investments and Investment Policy

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

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

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

4. Prepaid Expenses

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

5. Capital Assets

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

- Right to use asset – shorter of the lease term or the useful life of the asset
- Equipment and furniture and fixtures – 3 to 5 years

6. Deferred Outflows of Resources

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

7. Compensated Absences

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

8. Lease obligation

Lease obligation is measured at the present value of payments expected to be paid during the lease term.

9. Deferred Inflows of Resources

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

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(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, 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.

GASB 68 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following time frames are used:

- Valuation date: June 30, 2021
- Measurement date: June 30, 2022
- Measurement period: July 1, 2021 to June 30, 2022

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.

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(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** – 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** – 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.

Fund Balance Policy, continued

The Cooperative believes that sound financial management principles require that sufficient funds be retained by the Cooperative to provide a stable financial base at all times. To retain this stable financial base, the Cooperative needs to maintain an unrestricted fund balance in its 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:

	2023
General fund	
Petty cash	\$ 266
Deposits held in financial institutions	1,822,950
Deposits held with the California Employee Pension Prefunding Trust	89,059
Deposits held with the California Local Agency Investment Fund (LAIF)	1,832,902
Total General fund	3,745,177
Fiduciary fund	
Deposits held in financial institutions	66,806
Total Fiduciary fund	66,806
Total cash and cash equivalents	\$ 3,811,983

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(2) Cash and Cash Equivalents, continued

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

	2023
Deposits held with the California Local Agency Investment Fund (LAIF)	260 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:

- a. Checking and savings accounts at financial institutions
- b. 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).

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, 2023, 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.

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(2) Cash and Cash Equivalents, continued

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, 2023, the Cooperative's investment in LAIF is unrated.

(3) Capital Assets

The change in capital assets for 2023 was as follows:

	<u>Balance 2022</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2023</u>
Depreciable assets:				
Right to use asset	\$ 76,603	-	-	76,603
Equipment, furniture, and fixtures	109,763	-	-	109,763
Total depreciable assets	186,366	-	-	186,366
Accumulated depreciation				
Right to use asset	(25,534)	(25,535)	-	(51,069)
Equipment, furniture, and fixtures	(109,763)	-	-	(109,763)
Total accumulated depreciation	(135,297)	(25,535)	-	(160,832)
Total depreciable assets, net	51,069	(25,535)	-	25,534
Total capital assets, net	\$ 51,069			25,534

(4) Compensated Absences

The change in compensated absences for 2023 was as follows:

	<u>Balance 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2023</u>
\$	38,855	28,589	(33,806)	33,638

(5) Operating Lease

The change in operating lease obligation at June 30 was as follows:

	<u>2022</u>	<u>Additions</u>	<u>Principal Payment</u>	<u>2023</u>
Lease obligation	\$ 51,187	-	(25,535)	25,652

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(5) Operating Lease, continued

In June 2021, the Cooperative entered into an agreement with the City of Glendale (City), a California municipal corporation, to rent an office building space. The Cooperative’s office space is located in Glendale Library, Arts and Culture in the County of Los Angeles. The term and payment provisions of the original lease agreement, are as follows:

1. The term of the lease shall be for a period of three (3) years, commencing July 1, 2021, and ending June 30, 2024.
2. The Cooperative shall pay \$2,143 monthly rent and ancillary cost to the City.

Following the guidelines of *GASB Statement No. 87*, the Cooperative recorded a right-to-use asset and a lease obligation at present value using an implicit interest rate of 0.46%. The right-to-use asset is amortized on a straight-line basis over the term of the lease.

Principal and interest requirements to maturity are as follows:

Year	Principal	Interest	Total
2024	\$ 25,652	64	25,716
Total	25,652	64	25,716
Current	(25,652)		
Non-current	\$ -		

(6) 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, and benefit payments are made on a “pay-as-you-go” basis.

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 \$10,756 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:

	2023
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 \$981,620 was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2023.

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(6) Other Post-Employment Benefits Payable, continued

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2023, actuarial valuation for the measurement date June 30, 2023, 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
Salary increases	2.75% per year
Discount rate	3.65% per year changed from 3.54% in 2022
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 2021 CalPERS Mortality for Miscellaneous Employees and School Employees. CalPERS periodically studies mortality for participating agencies and establishes mortality tables that are modified versions of commonly used tables. The tables incorporate 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.

The retirement and turnover assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study as follows:

- Retirement table – 2021 CalPERS 2.0% @ 62 Rates for Miscellaneous Employees
- Turnover Tables – 2021 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:

	<u>2023</u>
Balance at June 30, 2022	\$ 872,322
Changes for the year:	
Service cost	33,461
Interest	30,789
Experience (Gains)/Losses	77,989
Changes in assumptions or other inputs	5,656
Benefit payments	<u>(38,597)</u>
Net change	<u>109,298</u>
Balance at June 30, 2023	<u>\$ 981,620</u>

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(6) Other Post-Employment Benefits Payable, continued

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	\$ 1,118,031	981,620	870,169

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	\$ 861,866	981,620	1,130,386

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

For the year ended June 30, 2023, the Cooperative recognized an OPEB expense of \$72,566. As June 30, 2023, 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	\$ 51,584	-
Changes in assumptions or other inputs	-	(18,788)
Total	\$ 51,584	(18,788)

As of June 30, 2023, 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
2024	\$ 8,316
2025	8,296
2026	2,535
2027	(14,030)
2028	10,774
Thereafter	16,905

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(7) Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. 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, 2023, are summarized as follows:

	<u>Classic</u>	<u>PEPRA</u>
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%	7.750%
Required employer contribution rates	11.840%	7.750%

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 Cooperative is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(7) Defined Benefit Pension Plan, continued

Contributions, continued

For the year ended June 30, 2023, the Cooperative's contributions to the Plan was as follows:

	2023
Contributions – employer	\$ 194,667

Net Pension Liability

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

	2023
Proportionate share of net pension liability	\$ 2,132,687

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, 2023, the net pension liability of the Plan is measured as of June 30, 2022 (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, 2021 (the valuation date), rolled forward to June 30, 2022, 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, 2022, was as follows:

Measurement Date	2023
Proportion – June 30, 2021	0.02202%
Proportion – June 30, 2022	0.01846%
Change in proportion	-0.00356%

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(7) Defined Benefit Pension Plan, continued

Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2023, the Cooperative recognized pension expense of \$277,603. As June 30, 2023, the Cooperative reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 194,667	-
Difference between actual and expected experience	14,144	-
Change in assumptions	218,538	-
Net difference between projected and actual earnings on plan investments	390,651	-
Change in proportion and the difference between employer's contributions and employer's proportionate share of contributions	-	(178,954)
Total	<u>\$ 818,000</u>	<u>(178,954)</u>

As of June 30, 2023, the Cooperative reported \$194,667 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, 2024.

As of June 30, 2023, other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Deferred Net Outflows(Inflows) of Resources</u>
2024	\$ 86,873
2025	75,626
2026	42,945
2027	238,935

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(7) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liabilities in the June 30, 2021, actuarial valuation were determined using the following actuarial assumptions and methods:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions	
Discount rate	6.90%
Inflation	2.30%
Salary increase	Varies by entry age and service
Mortality Table*	Derived using CalPERS membership data
Period upon which actuarial Experience survey assumptions were based	1997 – 2015
Post-retirement benefit increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on purchasing power applies

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

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. This discount rate is not adjusted for administrative expenses. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(7) Defined Benefit Pension Plan, continued

Discount Rate, continued

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

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

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

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

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, 2023, 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% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Cooperative's net pension liability	\$ 3,069,248	2,132,687	1,362,132

(7) Defined Benefit Pension Plan, continued

Pension Plan Fiduciary Net Position

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

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(8) Section 115 Trust

In fiscal year 2022, the Cooperative's Administrative Council approved the creation of a Section 115 Trust Agreement with the Benefit Trust, Trustee and Trust Administrator. The Section 115 Trust was established as a means to set aside monies to fund the Cooperative's pension plan obligation. Contributions to the Section 115 Trust are irrevocable, the assets are dedicated to providing benefits to plan members, and the assets are protected from creditors of the Cooperative. The purpose the Section 115 Trust was to address the Cooperative's pension obligations by accumulating assets in consideration of its defined benefit pension plan. However, in accordance with generally accepted accounting principles, the assets in the Section 115 Trust are not considered to have present service capacity as plan assets and are therefore considered restricted assets of the Cooperative rather than pension plan assets. Accordingly, the Section 115 Trust's assets are recorded as restricted for pension benefits in the Cooperative's net position and fund balance rather than assets of the pension plan during the measurement date of the net pension liability. The assets held in trust will be considered pension plan assets at the time they are transferred out of the Trust into the pension plan.

During fiscal year ended June 30, 2023, the Trust earned \$2,032 in dividend income and incurred \$150 in fees. The Trust account balance at June 30, 2023 amounted to \$89,059.

(9) Net Position

The details of net position are as follows:

	2023
Net investment in capital assets:	
Capital assets, net	\$ 25,534
Lease obligation - current portion	(25,652)
Total net investment in capital assets	(118)
Restricted net position:	
Section 115 Trust	89,059
Total restricted net position	89,059
Unrestricted net position:	
Non-spendable net position:	
Prepaid expenses and deposit	2,458
Total non-spendable net position	2,458
Spendable net position:	
Unrestricted	(591,137)
Total spendable net position	(591,137)
Total unrestricted net position	(588,679)
Total net position	\$ (499,738)

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

(10) 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	2023
Nonspendable:	
Prepaid expenses and deposits	\$ 2,458
Restricted:	
Section 115 Trust	89,059
Assigned:	
Compensated absences	33,638
Unassigned:	
Operations	1,851,328
Total fund balance	\$ 1,976,483

(11) 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.

(12) 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. 99

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

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

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

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

Governmental Accounting Standards Board Statement No. 100

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

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

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

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

Southern California Library Cooperative
Notes to the Basic Financial Statements, continued
For the Fiscal Year Ended June 30, 2023

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

Governmental Accounting Standards Board Statement No. 102

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

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

(13) 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.

(14) Subsequent Events

Events occurring after June 30, 2023, have been evaluated for possible adjustment to the financial statements or note disclosures as of February 7, 2024, 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.

< Page Intentionally Left Blank >

DRAFT

Required Supplementary Information

DRAFT

DRAFT

**Southern California Library Cooperative
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2023**

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Expenditures/Expenses:					
Cooperative operations:					
Salaries and wages	\$ 652,945	-	652,945	522,772	130,173
Employee benefits	367,281	-	367,281	308,449	58,832
Materials and services	464,467	-	464,467	512,045	(47,578)
Communication and delivery	229,199	-	229,199	126,011	103,188
Grant expense – Federal	3,364,024	-	3,364,024	2,377,231	986,793
Total expenditures/expenses	<u>5,077,916</u>	<u>-</u>	<u>5,077,916</u>	<u>3,846,508</u>	<u>1,231,408</u>
Program revenues:					
Charge for services	381,048	-	381,048	211,702	(169,346)
California State Library Act appropriation	906,739	-	906,739	283,703	(623,036)
Operating grant – Federal	3,364,024	-	3,364,024	2,623,342	(740,682)
Program reimbursement	-	-	-	338,345	338,345
Total program revenues	<u>4,651,811</u>	<u>-</u>	<u>4,651,811</u>	<u>3,457,092</u>	<u>(1,194,719)</u>
General revenues:					
Member and associate dues	224,271	-	224,271	224,271	-
Investment return	18,750	-	18,750	40,115	21,365
Other revenues(expenses), net	-	-	-	3,057	3,057
Total general revenues	<u>243,021</u>	<u>-</u>	<u>243,021</u>	<u>267,443</u>	<u>24,422</u>
Total revenues	<u>4,894,832</u>	<u>-</u>	<u>4,894,832</u>	<u>3,724,535</u>	<u>(1,170,297)</u>
Net change in fund balance	<u>(183,084)</u>	<u>-</u>	<u>(183,084)</u>	<u>(121,973)</u>	<u>61,111</u>
Fund balance, beginning of year	<u>2,098,456</u>		<u>2,098,456</u>	<u>2,098,456</u>	
Fund balance, end of year	<u>\$ 1,915,372</u>		<u>1,915,372</u>	<u>1,976,483</u>	

Notes to Required Supplementary Information

(1) Budgets and Budgetary Data

The Cooperative follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the Cooperative prepares and submits an operating budget to the Administrative Council for the General Fund no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Administrative Council must approve all supplemental appropriations to the budget and transfers between major accounts.

The Cooperative presents a comparison of the annual budget to actual results for the General Fund at the functional expenditure-type major object level for financial reporting purposes.

Southern California Library Cooperative
Schedules of the Cooperative's Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2023
Last Ten Years*

Defined Benefit Pension Plan

Description	Measurement dates								
	6/30/2022	6/30/2021	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)	0.01846%	0.02202%	0.01685%	0.01655%	0.01611%	0.01584%	0.01559%	0.01457%	0.01540%
Cooperative's proportionate share of the net pension liability/(asset)	\$ 2,132,687	1,191,104	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	\$ 444,242	580,404	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	480.07%	205.22%	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	76.68%	88.29%	75.10%	75.26%	75.26%	73.31%	74.06%	78.40%	80.43%

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.

changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

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

Change of Assumptions and Methods

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

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.

Southern California Library Cooperative
Schedules of the Cooperative's Proportionate Share of the Net Pension Liability, continued
For the Fiscal Year Ended June 30, 2023
Last Ten Years*

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

Change of Assumptions and Methods, continued

These changes will apply only to new UAL bases established on or after June 30, 2019.

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

In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%.

The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. These changes will be implemented in two steps commencing in the June 30, 2017 funding valuation. However, for financial reporting purposes, these assumption changes are fully reflected in the results for fiscal year 2018.

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

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, 2023
Last Ten Years***

Defined Benefit Pension Plan

Description	Fiscal Years Ended								
	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Actuarially determined contribution	\$ 194,667	186,801	170,277	151,131	127,566	98,856	90,401	68,087	24,775
Contributions in relation to the actuarially determined contribution	(194,667)	(186,801)	(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	\$ 444,242	580,404	587,683	617,093	385,527	361,657	420,168	388,012	388,012
Contribution's as a percentage of covered-employee payroll	43.82%	32.18%	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, 2023
Last Ten Years*

Other Post-Employment Benefits Payable

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability						
Service cost	\$ 33,461	44,810	51,311	35,574	21,125	20,010
Interest	30,789	22,170	20,934	17,045	28,419	25,845
Employer contributions	(38,597)	(37,552)	(32,171)	(28,397)	(31,067)	(27,752)
Experience (Gains)/Losses	77,989	-	-	-	-	-
Difference between expected and actual experience	-	-	(14,416)	(1,465)	(25,867)	-
Change of assumptions or other inputs	5,656	(179,859)	55,142	147,279	26,463	(25,991)
Net change in total OPEB liability	109,298	(150,431)	80,800	170,036	19,073	(7,888)
Total OPEB liability – beginning	872,322	1,022,753	941,953	771,917	752,844	760,732
Total OPEB liability – ending	\$ 981,620	872,322	1,022,753	941,953	771,917	752,844
Covered-employee payroll	\$ 444,242	580,404	587,683	617,093	385,527	361,657
Total OPEB liability as a percentage of covered-employee payroll	220.97%	150.30%	174.03%	152.64%	200.22%	208.17%

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, 2023, actuarial valuation, the discount rate used was 3.65% per year net of expenses.

In the June 30, 2021, the inflation rate used was 2.50% and discount rate used was 3.54% per year net of expenses..

In the June 30, 2020, there is no actuarial valuation since it is a roll forward from the prior year.

* 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

DRAFT

DRAFT

**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
Glendale, 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, 2023, and the related notes to the financial statements, which collectively comprises the Cooperative’s basic financial statements, and have issued our report thereon dated February 7, 2024.

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. However, material weaknesses may exist that have not been identified.

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.

C.J. Brown & Company, CPAs
Cypress, California
February 7, 2024

DRAFT

Southern California Library Cooperative

Management Report

June 30, 2023

DRAFT

Southern California Library Cooperative

Management Report

Table of Contents

<u>Item</u>	<u>Page No.</u>
General Introduction	1
Appendix:	
Audit/Finance Committee Letter	1-4

DRAFT

Administrative Council
Southern California Library Cooperative
Glendale, California

Dear Members of the Administrative Council:

In planning and performing our audit of the 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, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Cooperative's internal control over financial reporting (internal control) as a basis for designing 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control over financial reporting.

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 over financial reporting, 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

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

C.J. Brown & Company, CPAs
Cypress, California
February 7, 2024

APPENDIX

Southern California Library Cooperative

Audit/Finance Committee Letter

June 30, 2023

DRAFT

Administrative Council
Southern California Library Cooperative
Glendale, California

We have audited the financial statements of the governmental activities and each major fund of the Southern California Library Cooperative (Cooperative) for the year ended June 30, 2023, and have issued our report thereon dated February 7, 2024.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated September 29, 2023, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Cooperative solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

If any, we have provided our findings regarding significant control deficiencies over financial reporting and material noncompliance, and other matters noted during our audit in a separate letter to you dated February 7, 2024.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

An auditor that is not involved in the engagement performed an independent review of the financial statements that was prepared by us based on the information provided by management. This safeguard reduces the threat of self-review risk to an acceptable level.

Significant Risks Identified

We have identified the following significant risks:

- Management override of controls
- Revenue recognition

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Cooperative is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no other changes in significant accounting policies or their application during 2023. No other matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. The most sensitive accounting estimates affecting the financial statements are as follows:

Management's estimate of the fair value of cash and investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of cash and investments in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of capital assets depreciation is based on historical estimates of each capitalized item's useful life expectancy or cost recovery period. We evaluated the key factors and assumptions used to develop the capital asset depreciation calculations in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net other post-employment benefit (OPEB) liability is based on an actuarial valuation that was conducted by a third-party actuary. We evaluated the basis, methods, and assumptions used by the actuary in calculating the net OPEB liability, OPEB expense, and deferred OPEB outflows/inflows for the Cooperative to determine that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the defined benefit pension plan's deferred outflows of resources, net pension liability, and deferred inflows of resources are based on an actuarial valuation of these amounts which was conducted by a third-party actuary. We evaluated the basis, actuarial methods and assumptions used by the actuary to calculate these amounts for the Cooperative to determine that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Cooperative's financial statements relate to:

The disclosure of fair value of cash and cash equivalents in Note 2 to the basic financial statements represents amounts susceptible to market fluctuations.

The disclosure of capital assets, net in Note 3 to the basic financial statements is based on historical information which could differ from actual useful lives of each capitalized item.

The disclosure of the Cooperative's OPEB liability in Note 6 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

The disclosure of the Cooperative's defined benefit pension plan in Note 7 to the basic financial statements is based on actuarial assumptions which could differ from actual costs.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. No significant unusual transactions were identified as a result of our audit procedures that were brought to the attention of management:

Identified or Suspected Fraud

We have not identified or have not obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Cooperative's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. There were no circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated February 7, 2024.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Cooperative, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Cooperative's auditors.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, Budgetary Comparison Schedules – General Fund, Schedules of the Cooperative's Proportionate Share of the Net Pension Liability, Schedules of Pension Plan Contributions, and Schedules of Changes in the Cooperative's Total OPEB Liability and Related Ratios, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Conclusion

We appreciate the cooperation extended to us by Andy Beck, Controller, in the performance of our audit testwork.

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to the Cooperative.

C.J. Brown & Company, CPAs
Cypress, California
February 7, 2024



REPORT TO THE AUDIT AND FINANCE COMMITTEE
SOUTHERN CALIFORNIA LIBRARY COOPERATIVE

DATE: February 7, 2024

FROM: Hilda LohGuan, Chair

SUBJECT: **Revenue Generation – DISCUSSION**

BACKGROUND: During the May 25, 2022, meeting, the Administrative Council 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: Through discussions and recommendations that were generated by this Committee, two revenue generating initiatives have been implemented for fiscal year 2023-24: an increase in membership dues and investment income that will be generated via Certificate of Deposit accounts. Currently, staff are focused on ways to decrease any existing expenditures.

The Audit and Finance Committee is welcome to continue discussing and planning an approach to explore additional alternate funding sources, and report back to the Administrative Committee as needed. This will remain a standing item on the agenda, as requested by the Committee, until directed otherwise.

FISCAL IMPACT: None

RECOMMENDATION: Informational

EXHIBITS: None



SCLC Audit and Finance Committee Meeting Dates
Approved May 24, 2023

2023/24

~~Wednesday, July 5, 2023~~ – *rescheduled*

Wednesday, August 2, 2023

3:00-4:00pm

Via Zoom

Wednesday, September 27, 2023

3:30-4:30pm

Via Zoom

Wednesday, February 7, 2024

3:30-4:30pm

Via Zoom

Wednesday, April 3, 2024

3:30-4:30pm

Via Zoom

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