



EXECUTIVE COMMITTEE MEETING

Thursday, May 11, 2023

9:00am – 10:00am

Hybrid meeting

On Site:

City of Hemet – City Hall

445 E Florida Ave, Hemet, CA 92543

Via Zoom:

Join Zoom Meeting

<https://us02web.zoom.us/j/82631357520?pwd=WGxMYVN2WIFUbjUxSnpha0tkbUsrUT09>

Meeting ID: 826 3135 7520

Passcode: 213227

Alternate Meeting Location:

San Bernardino County Library, 268 W. Hospitality Lane, 3rd Floor, Suite 301,
San Bernardino, CA 92415-0035

Agenda

All items may be considered for action.

1. Call to Order and Roll Call Erin Christmas
2. Public Comment Erin Christmas
Opportunity for any guest or member of the public to address the committee on any item of Administrative Council business.

- | | |
|---|--------------------------------|
| 3. Consent Calendar | Erin Christmas |
| <i>All items on the consent calendar may be approved by a single motion. Any Council member may request an item be removed from the consent calendar and placed on the agenda for discussion.</i> | |
| a. Draft Minutes from the March 16, 2023 Executive Council meeting. | |
| 4. Adoption of the Agenda | Erin Christmas |
| 5. Audit Report FY 2021/22 | Andy Beck |
| 6. Budget Status Report FY 2022/23 | Andy Beck |
| 7. Inland Library System Website | Christine Powers |
| 8. Agreement with SCLC for Administrative and Fiscal Services FY 2023/24 | Christine Powers |
| 9. Proposed Budget FY 2023/24 | Christine Powers/
Andy Beck |
| 10. Other | |
| 11. Adjournment | Erin Christmas |



ACTION ITEMS

Meeting: Inland Executive Committee Meeting

Date: May 11, 2023

Library: _____

Name: _____

Signature: _____ Date: _____

Agenda Item: _____

 Aye Motion

 Nay Second

 Abstain

Agenda Item: _____

 Aye Motion

 Nay Second

 Abstain

Agenda Item: _____

 Aye Motion

 Nay Second

 Abstain

Agenda Item: _____

 Aye Motion

 Nay Second

 Abstain

Agenda Item: _____

 Aye Motion

 Nay Second

 Abstain

Agenda Item: _____

 Aye Motion

 Nay Second

 Abstain

Send completed form to: slcadmin@socallibraries.org

EXECUTIVE COMMITTEE MEETING

Thursday, March 16, 2023

9:00am

Hybrid meeting

On Site:

Riverside Public Library

3900 Mission Inn Ave. Riverside, CA 92507

Minutes draft

Attendance

Caines, Kathye – Hemet
 Christmas, Erin – Riverside Public
 Espinosa, Aaron – Rancho Mirage
 Thrasher, Shawn – Ontario

Other

Beck, Andy – SCLC
 Graver, Lori – SCLC
 Powers, Christine – SCLC
 Snodgrass, Nerissa – SCLC

Absent

Orosco, Melanie – San Bernardino County

1. Call to Order and Roll Call Erin Christmas
 Meeting called to order at 9:02am.

2. Public Comment Erin Christmas
Opportunity for any guest or member of the public to address the committee on any item of Administrative Council business.
 None.

3. Consent Calendar Erin Christmas
All items on the consent calendar may be approved by a single motion. Any Council member may request an item be removed from the consent calendar and placed on the agenda for discussion.
 - a. Draft Minutes from the December 15, 2022 Executive Committee meeting.
 MSP (Trasher/Espinosa) to pass the Consent Calendar, without changes.
 3 yes, 0 no, 0 abstain

4. Adoption of the Agenda Erin Christmas
 Chair adopted the Agenda, as presented, without objection.

5. SCLC Personnel Update Christine Powers
 Powers introduced herself as SCLC's new Executive Director, and Beck introduced himself as SCLC's new Controller. Both Powers and Beck spoke on their backgrounds and eagerness to work with Inland.
6. Brown Act Teleconferencing Requirements: Christine Powers
 End of COVID-19 Emergency Order
 Powers presented information on the end of AB 361, and the introduction of AB 2449. Going forward, meetings must be hosted at a site accessible to the public, and members who chose to teleconference into meetings must list their location on the agenda, and the site must be open and accessible to the public. Under AB 2449, if a member has an emergency and must teleconference without their location published on the agenda, this triggers a requirement for meeting quorum at the host site.
7. Designation of San Bernardino County Account Funds Christine Powers
 MSP (Caines/Thrasher) to recommend to the Administrative Council to place the San Bernardino County Account Funds in a reserve account, marked for unrestricted funds.
 4 yes, 0 no, 0 abstain
8. Budget Status Report FY2022/23 Andy Beck
 CLSA funding for FY2022/2023 was received in December 2022. Membership dues for the fiscal year are 60 percent collected. The Public Library Staff Education Program (PLSEP) has been approved and is being run through SCLC. Expenditures include payments of \$52,473 for E-Resources and \$17,330 for delivery services. The unrestricted cash balance totals \$124,332 as of February 28, 2023.
9. CLSA Planning FY2023/24 Christine Powers
 Powers reviewed current CLSA fund allocations, and members agreed to continue with current allocations.

 1. eResources (87%)
 - a. Cloudlibrary
 - b. Overdrive
 - c. Hoopla
 - d. Truflux
 - e. Palace Project
 2. Contract Services (11%)
 - a. Courier delivery
 - b. Audit services
 3. Telecommunications (2%)
 - a. Zoom license
 - b. Website hosting
 - c. Internet service

10. Other
None.

Erin Christmas

11. Adjournment
MSP (Espinosa/Caines) to adjourn meeting at 9:38 am.

Erin Christmas

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EC Agenda Item 5

DATE: May 11, 2023
TO: Executive Committee
FROM: Andy Beck, Controller – SCLC/Inland

SUBJECT: **Audit Report FY 2021/22**

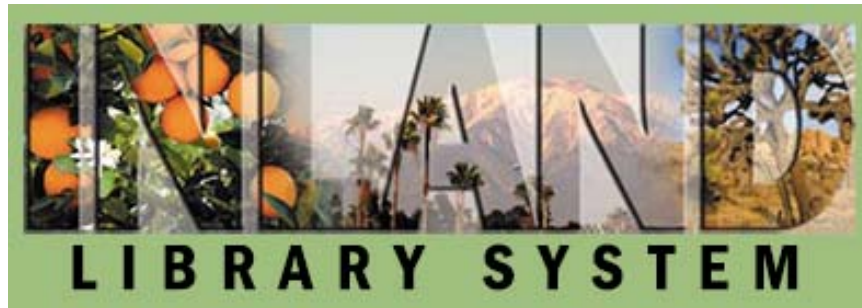
BACKGROUND: Interim testing was conducted in December 2022. Final testing was completed in April 2023. The draft financial statements for Inland have been included for your review.

For the fiscal year June 30, 2022, there were no material weaknesses or significant deficiencies.

FISCAL IMPACT: None

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

EXHIBIT:
a. Draft Audited Financial Statements
b. Draft Management Report



Inland Library System

Biennial Financial Report

For the Fiscal Years Ended June 30, 2022 and 2021

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Inland Library System
Biennial Financial Report
For the Fiscal Years Ended June 30, 2022 and 2021

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**Inland Library System
Biennial Financial Report
For the Fiscal Years Ended June 30, 2022 and 2021**

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Financial Section

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Independent Auditor's Report

Administrative Council
Inland Library System
Glendale, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Inland Library System (System) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the System'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 Inland Library System as of June 30, 2022 and 2021, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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 Audits of the Financial Statements section of our report. We are required to be independent of the System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 System'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 Audits 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 the audits in accordance with generally accepted auditing standards, we:

- exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 System'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 System'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8, and the required supplementary information on pages 30 through 31, 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 audits 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 May 11, 2023, on our consideration of the System'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 audits. That report can be found on pages 32 and 33.

C.J. Brown & Company CPAs
Cypress, California
May 11, 2023

Inland Library System
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2022 and 2021

As management of the Inland Library System (System), we offer readers of the System's financial statements this narrative overview and analysis of the financial activities and performance of the System for the fiscal years ended June 30, 2022 and 2021. Please read it in conjunction with additional information that we have furnished in the accompanying basic financial statements, which follow this section.

Financial Highlights

- The System's net position increased 28.52% or \$695,208, from a deficit of \$2,437,819 to a deficit of \$1,742,611 in fiscal year 2022, due primarily from ongoing operations. The System's net position increased 1.76%, or \$43,697, from a deficit of \$2,481,516 to a deficit of \$2,437,819 in fiscal year 2021, due primarily from ongoing operations.
- The System's total revenues increased 306.60%, or \$843,978, from \$275,267 to \$1,119,245, in fiscal year 2022. The System's total revenues decreased 33.40%, or \$138,037 from \$413,304 to \$275,267 in fiscal year 2021.
- The System's total expenses increased 83.11%, or \$192,468 from \$231,570 to \$424,038, in fiscal year 2022. The System's total expenses decreased 91.77%, or \$2,581,807 from \$2,813,377 to \$231,570, in fiscal year 2021.

Using This Financial Report

This annual report consists of a series of financial statements. The Statements of Net Position and the Statements of Activities provide information about the activities and performance of the System using accounting methods similar to those used by private sector companies. The Statements of Net Position include all of the System's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. They also provide the basis for computing a rate of return, evaluating the capital structure of the System and assessing the liquidity and financial flexibility of the System. All of the current year revenues and expenses are accounted for in the Statements of Activities. These statements measure the success of the System's operations over the past years and can be used to determine the System's profitability and credit worthiness.

Government-wide Financial Statements

Statements of Net Position and Statements of Activities

One of the most important questions asked about the System's finances is, "Is the System better off or worse off as a result of the years' activities?" The Statements of Net Position and the Statements of Activities report information about the System in a way that helps answer this question. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

Inland Library System
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2022 and 2021

Government-wide Financial Statements, continued

Statements of Net Position and Statements of Activities, continued

These two statements report the System's net position and changes in them. Think of the System's net position – the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources – as one way to measure the System's financial health, or financial position. Over time, increases or decreases in the System's net position are one indicator of whether its financial health is improving or deteriorating.

Governmental Fund Financial Statements

Balance Sheets and Statements of Revenues, Expenditures, and Changes in Fund Balance

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

Because the focus of governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental fund* 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 sheets and the governmental fund statements of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental fund* 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 19 through 29.

Government-wide Financial Analysis

Statement of Net Position

	Condensed Statements of Net Position				
	2022	2021	Change	2020	Change
Assets:					
Current assets	\$ 884,470	631,703	252,767	691,464	(59,761)
Total assets	884,470	631,703	252,767	691,464	(59,761)
Liabilities:					
Current liabilities	2,627,081	3,069,522	(442,441)	3,172,980	(103,458)
Total liabilities	2,627,081	3,069,522	(442,441)	3,172,980	(103,458)
Net position:					
Unrestricted	(1,742,611)	(2,437,819)	695,208	(2,481,516)	43,697
Total net position	\$ (1,742,611)	(2,437,819)	695,208	(2,481,516)	43,697

Inland Library System
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2022 and 2021

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 System, assets and deferred outflows of resources were exceeded by liabilities and deferred inflows of resources by \$1,742,611 and \$2,437,819 as of June 30, 2022 and 2021, respectively. At the end of fiscal year 2022 and 2021, the System shows a negative balance in its unrestricted net position of \$1,742,611 and \$2,437,819, respectively, that may be recovered in future years.

Statement of Activities

<i>Governmental Activities:</i>	Condensed Statements of Activities				
	2022	2021	Change	2020	Change
Expenses:					
System operations	\$ 424,038	231,570	192,468	2,813,377	(2,581,807)
Total expenses	424,038	231,570	192,468	2,813,377	(2,581,807)
Program revenues	402,326	221,686	180,640	367,759	(146,073)
General revenues	716,919	53,581	663,338	45,545	8,036
Total revenues	1,119,245	275,267	843,978	413,304	(138,037)
Changes in net position	695,207	43,697	651,510	(2,400,073)	2,443,770
Net position, beginning of year	(2,437,818)	(2,481,516)	43,698	(81,443)	(2,400,073)
Net position, end of year	\$ (1,742,611)	(2,437,819)	695,208	(2,481,516)	43,697

The statement of activities shows how a government's net position changes during the fiscal year. In the case of the System, net position increased \$695,207, from a deficit of \$2,437,819 to a deficit of \$1,742,611 in fiscal year 2022, as a result of ongoing operations. The System's net position increased 1.76%, or \$43,697, from a deficit of \$2,481,516 to a deficit of \$2,437,819 in fiscal year 2021, as a result of ongoing operations.

The System's total revenues increased 306.60%, or \$843,978, from \$275,267 to \$1,119,245, in fiscal year 2022, due primarily to increases of \$663,338 in general revenues as a result of member contributions to pay off the System's pension obligation to San Bernardino County Employees' Retirement Association (SBCERA), and \$180,640 in program revenues. The System's total revenues decreased 33.40%, or \$138,037 from \$413,304 to \$275,267 in fiscal year 2021, due primarily to a decrease of \$146,073 in program revenues, which was offset by an increase of \$8,036 in general revenues.

The System's total expenses increased 83.11%, or \$192,468 from \$231,570 to \$424,038, in fiscal year 2022, due primarily to increases of \$179,303 in services and supplies and \$12,365 in interest expense related to member contributions to pay off the System's pension obligation to SBCERA. The System's total expenses decreased 91.77%, or \$2,581,807 from \$2,813,377 to \$231,570, in fiscal year 2021, due primarily to a decrease of \$2,428,823 in pension withdrawal expense as a result of the System's termination of its defined benefit plan with SBCERA.

Inland Library System
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2022 and 2021

Governmental Funds Financial Analysis

The focus of the System's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the System'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 each fiscal year.

As of June 30, 2022 and 2021, the System's General Fund reported a fund balance of \$110,395 and \$68,434, respectively, which are available for future use.

General Fund Budgetary Highlights

In fiscal year 2022, actual expenditures at year end were \$303,762 more than budgeted. The variance is due primarily to the effect of actual services and supplies being more than the budget. Actual revenues at year end were \$167,087 more than budgeted. The variance is due primarily to the effects of actual program revenues of \$165,949 more than budget.

In fiscal year 2021, the actual expenditures at year end were \$120,313 more than budgeted. The variance is due primarily to the effect of actual services and supplies being more than the budget. Actual revenues at year end were \$41,976 less than budgeted. The variance is due primarily to the effects of actual general revenues of \$36,589 and program revenues of \$5,387 less than budget.

The General Fund budget to actual comparison schedule can be found on pages 30 and 31.

Capital Assets

At the end of fiscal year 2022, the System had no investment in capital assets (net of accumulated depreciation). Fully depreciated capital assets include furniture and equipment.

	Balance 2021	Addition/ Transfers	Deletions/ Transfers	Balance 2022
Depreciable assets	\$ 31,287	-	-	31,287
Accumulated depreciation	(31,287)	-	-	(31,287)
Total depreciable assets, net	\$ -	-	-	-

At the end of fiscal year 2021, the System had no investment in capital assets (net of accumulated depreciation). Fully depreciated capital assets include furniture and equipment.

	Balance 2020	Addition/ Transfers	Deletions/ Transfers	Balance 2021
Depreciable assets	\$ 31,287	-	-	31,287
Accumulated depreciation	(31,287)	-	-	(31,287)
Total depreciable assets, net	\$ -	-	-	-

See note 3 for further information.

Inland Library System
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2022 and 2021

Conditions Affecting Current Financial Position

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

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

Requests for Information

The System's basic financial statements are designed to present users with a general overview of the System's finances and to demonstrate the System's accountability. If you have any questions about the report or need additional information, please contact the System's Controller at the Inland Library System, 222 East Harvard, Glendale, CA 91205.

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Basic Financial Statements

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**Inland Library System
Statements of Net Position
June 30, 2022 and 2021**

	2022	2021
Current assets:		
Cash and cash equivalents (note 2)	\$ 882,540	626,862
Accounts receivable	1,930	1,930
Grants receivable	-	2,911
	Total assets	631,703
Current liabilities:		
Accounts payable and accrued expenses	216,586	72,446
Deposits from members	76,126	32,104
Unearned revenue	481,363	458,719
Pension obligation (note 4)	1,853,006	2,506,253
	Total liabilities	3,069,522
Net position:		
Unrestricted	(1,742,611)	(2,437,819)
	Total net position	(2,437,819)
	\$ (1,742,611)	(2,437,819)

See accompanying notes to the basic financial statements

Inland Library System
Statements of Activities
For the Fiscal Years Ended June 30, 2022 and 2021

<i>Governmental Activities:</i>	<u>2022</u>	<u>2021</u>
Expenses:		
System operations:		
Services and supplies	\$ 411,673	231,570
Interest expense - pension obligations	12,365	-
Total expenses	<u>424,038</u>	<u>231,570</u>
Program revenues:		
California State Library Act appropriation	366,229	192,573
Federal Library Services and Technology Act revenues	36,097	29,113
Total program revenues	<u>402,326</u>	<u>221,686</u>
Net program expense	<u>21,712</u>	<u>9,884</u>
General revenues:		
Member and associate dues	50,171	50,171
Member contributions - pension obligations	665,611	-
Interest earnings	853	1,591
Other revenue	284	1,819
Total general revenues	<u>716,919</u>	<u>53,581</u>
Changes in net position	695,207	43,697
Net position, beginning of year	<u>(2,437,818)</u>	<u>(2,481,516)</u>
Net position, end of year	<u>\$ (1,742,611)</u>	<u>(2,437,819)</u>

See accompanying notes to the basic financial statements

Inland Library System
Balance Sheet – General Fund
June 30, 2022

	<u>General Fund</u>	<u>Reclassifications & Eliminations</u>	<u>Statements of Net Position</u>
Assets:			
Cash and cash equivalents (note 2)	\$ 882,540	-	882,540
Accounts receivable	1,930	-	1,930
Total assets	<u>884,470</u>	<u>-</u>	<u>884,470</u>
Liabilities:			
Accounts payable and accrued expenses	216,586	-	216,586
Deposits from members	76,126	-	76,126
Unearned revenue	481,363	-	481,363
Pension obligation (note 4)	-	1,853,006	1,853,006
Total liabilities	<u>774,075</u>	<u>1,853,006</u>	<u>2,627,081</u>
Fund balance:			
Unassigned	110,395	(110,395)	-
Total fund balance	<u>110,395</u>	<u>(110,395)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 884,470</u>		
Net position:			
Unrestricted		\$ (1,742,611)	(1,742,611)
Total net position		<u>\$ (1,742,611)</u>	<u>(1,742,611)</u>

Continued on next page

See accompanying notes to the basic financial statements

Inland Library System
Reconciliation of the Balance Sheet of Governmental
Type Fund to the Statements of Net Position
June 30, 2022

Reconciliation:

Fund balance of governmental fund	\$	110,395
Amount reported for governmental activities in the statements of net position is different because:		
<p>Long-term liabilities and deferred inflows of resources applicable to the System are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities and deferred inflows of resources, both current and long-term, are reported in the statements of net position.</p>		
Pension obligation		<u>(1,853,006)</u>
Net position of governmental activities	\$	<u><u>(1,742,611)</u></u>

See accompanying notes to the basic financial statements

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Inland Library System
Balance Sheet – General Fund
June 30, 2021

	General Fund	Reclassifications & Eliminations	Statements of Net Position
Assets:			
Cash and cash equivalents (note 2)	\$ 626,862	-	626,862
Accounts receivable	1,930	-	1,930
Grant receivable	2,911	-	2,911
	Total assets	-	631,703
Liabilities:			
Accounts payable and accrued expenses	72,446	-	72,446
Deposits from members	32,104	-	32,104
Unearned revenue	458,719	-	458,719
Pension obligation (note 4)	-	2,506,253	2,506,253
	Total liabilities	2,506,253	3,069,522
Fund balance:			
Unassigned	68,434	(68,434)	-
	Total fund balance	(68,434)	-
	Total liabilities and fund balance	\$ 631,703	
Net position:			
Unrestricted		\$ (2,437,819)	(2,437,819)
		Total net position	(2,437,819)

Continued on next page

See accompanying notes to the basic financial statements

**Inland Library System
 Reconciliation of the Balance Sheet of Governmental
 Type Fund to the Statements of Net Position
 June 30, 2021**

Reconciliation:

Fund balance of governmental funds	\$	68,434
Amount reported for governmental activities in the statements of net position is different because:		
<p style="margin-left: 40px;">Long-term liabilities and deferred inflows of resources applicable to the System are not due and payable in the current period and, accordingly, are not reported as fund liabilities. All liabilities and deferred inflows of resources, both current and long-term, are reported in the statements of net position.</p>		
Pension obligation		<u>(2,506,253)</u>
Net position of governmental activities	\$	<u>(2,437,819)</u>

See accompanying notes to the basic financial statements

DRAFT

Inland Library System
Statement of Revenues, Expenditures, and Change in
Fund Balance – General Fund
For the Fiscal Year Ended June 30, 2022

	<u>General Fund</u>	<u>Reclassifications & Eliminations</u>	<u>Statements of Activities</u>
Expenditures/Expenses:			
System operations:			
Services and supplies	\$ 411,673	-	411,673
Interest expense - pension obligations	-	12,365	12,365
Total expenditures/expenses	<u>411,673</u>	<u>12,365</u>	<u>424,038</u>
Program revenues:			
California State Library Act apportionment	366,229	-	366,229
Federal Library Services and Technology Act revenues	36,097	-	36,097
Total program revenues	<u>402,326</u>	<u>-</u>	<u>402,326</u>
Net program expense			<u>21,712</u>
General revenues:			
Member and associate dues	50,171	-	50,171
Member contributions - pension obligations	-	665,611	665,611
Interest earnings	853	-	853
Other revenue	284	-	284
Total general revenues	<u>51,308</u>	<u>665,611</u>	<u>716,919</u>
Total revenues	<u>453,634</u>	<u>665,611</u>	
Excess of revenues over expenditures	41,961	(41,961)	-
Changes in net position	-	695,207	695,207
Fund balance/Net position, beginning of year	<u>68,434</u>	<u>-</u>	<u>(2,437,818)</u>
Fund balance/Net position, end of year	<u>\$ 110,395</u>	<u>665,611</u>	<u>(1,742,611)</u>

Continued on next page

See accompanying notes to the basic financial statements

Inland Library System
Reconciliation of the Statement of Revenues, Expenditures, and Change in
Fund Balance of Governmental Type Fund to the Statements of Activities
For the Fiscal Year Ended June 30, 2022

Reconciliation:

Net change in fund balance of governmental fund	\$	41,961
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Amounts reported for governmental activities in the statements of activities is different because:

Some income (expenses) reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenses in governmental funds as follows:

Member contributions - pension obligations		665,611
Interest expense - pension obligations		<u>(12,365)</u>

Changes in net position of governmental activities	\$	<u>695,207</u>
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See accompanying notes to the basic financial statements

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Inland Library System
Statement of Revenues, Expenditures, and Change in
Fund Balance – General Fund
For the Fiscal Year Ended June 30, 2021

	<u>General Fund</u>	<u>Reclassifications & Eliminations</u>	<u>Statements of Activities</u>
Expenditures/Expenses:			
System operations:			
Services and supplies	\$ 231,570	-	231,570
Total expenditures/expenses	<u>231,570</u>	<u>-</u>	<u>231,570</u>
Program revenues:			
California State Library Act apportionment	192,573	-	192,573
Federal Library Services and Technology Act revenues	<u>29,113</u>	<u>-</u>	<u>29,113</u>
Total program revenues	<u>221,686</u>	<u>-</u>	<u>221,686</u>
Net program expense			<u>9,884</u>
General revenues:			
Member and associate dues	50,171	-	50,171
Interest earnings	1,591	-	1,591
Other revenue	<u>1,819</u>	<u>-</u>	<u>1,819</u>
Total general revenues	<u>53,581</u>	<u>-</u>	<u>53,581</u>
Total revenues	<u>275,267</u>	<u>-</u>	
Excess of revenues over expenditures	43,697	(43,697)	-
Changes in net position	<u>-</u>	<u>43,697</u>	<u>43,697</u>
Fund balance/Net position, beginning of year	<u>24,737</u>	<u>-</u>	<u>(2,481,516)</u>
Fund balance/Net position, end of year	<u>\$ 68,434</u>	<u>-</u>	<u>(2,437,819)</u>

Continued on next page

See accompanying notes to the basic financial statements

Inland Library System
Reconciliation of the Statement of Revenues, Expenditures, and Change in
Fund Balance of Governmental Type Fund to the Statements of Activities
For the Fiscal Year Ended June 30, 2021

Reconciliation:

Net change in fund balance of governmental fund	\$ <u>43,697</u>
Changes in net position of governmental activities	\$ <u>43,697</u>

See accompanying notes to the basic financial statements

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Inland Library System
Notes to the Basic Financial Statements
June 30, 2022 and 2021

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Inland Library System (System) was formed under authority of Article 5 of the California Library Services Act, Chapter 4, Part 11 of the California Education Code, and Article 1, Chapter 5, Division 7, Title 1 of the California Government Code (§6500 *et seq.*). The objective of the System is to extend and improve public library services throughout the jurisdiction of the System.

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of the System are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the System's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, are included in the accompanying Statements of Net Position. The Statements of Activities present changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statements of Activities demonstrate the degree to which 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 System 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 includes 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 meet 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 the Balance Sheets and the Statements of Revenues, Expenditures, and Changes in Fund Balance for all major governmental fund. Incorporated into these statements is a schedule to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the Government-wide Financial Statements. The System 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 Sheets. The Statements of Revenues, Expenditures, and Changes in Fund Balance present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under 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 revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the System are interest earnings, and member and associate dues revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due. The System reports the following major governmental fund:

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

Inland Library System
Notes to the Basic Financial Statements, continued
June 30, 2022 and 2021

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

C. Financial Reporting

The System'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 System has adopted the following GASB pronouncements for the years ended June 30, 2022 and 2021:

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

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

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

Inland Library System
Notes to the Basic Financial Statements, continued
June 30, 2022 and 2021

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

C. Financial Reporting, continued

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

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

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

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

1. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements; and the reported change in System net position during the reporting period. Actual results could differ from those estimates.

2. Uncertainty

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

3. Cash and Cash Equivalents

The System maintains its cash in a noninterest-bearing checking account and interest-bearing account with the San Bernardino County Treasurer. Monies in the interest-bearing account with the San Bernardino County Treasurer are highly liquid and considered cash and cash equivalents.

4. Accounts Receivable

The System extends credit to member libraries in the normal course of operations. Management deems all accounts receivable as collectible at year-end. Accordingly, an allowance for doubtful accounts has not been recorded.

Inland Library System
Notes to the Basic Financial Statements, continued
June 30, 2022 and 2021

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

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

5. Investments and Investment Policy

The System has adopted an investment policy to deposit funds in financial institutions. Investments are to be made in a checking account at financial institutions and accounts with the San Bernardino County Treasurer.

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 is comprised of interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

6. Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets are furniture and equipment. 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 System's capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives.

7. Unearned Revenue

Unearned revenue consists of customer deposits held at year-end and receipts related to grants pending its use.

8. Net Position

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

- **Net investment in capital assets** – consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against 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.

Inland Library System
Notes to the Basic Financial Statements, continued
June 30, 2022 and 2021

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

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

9. 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 System 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 enabling legislation.
- **Committed** – amounts that can only be used for specific purposes determined by formal action of the System’s highest level of decision-making authority (the Administrative Council) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned** – amounts that are constrained by the System’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 System’s special revenue funds.
- **Unassigned** – the residual classification for the System’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Fund Balance Policy

The Administrative Council establishes, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

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

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

Inland Library System
Notes to the Basic Financial Statements, continued
June 30, 2022 and 2021

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, are classified as follows:

	2022	2021
Deposits held in financial institutions	\$ 763,170	508,345
Deposits held with the San Bernardino County Treasurer	119,370	118,517
Total cash and cash equivalents	\$ 882,540	626,862

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the System’s investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk, 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 the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. Of the bank balance, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the System’s name.

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. The Code and the System’s investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools.

Interest Rate Risk

Interest rate risk is the risk that the change in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has, the greater its fair value has sensitivity to the change in market interest rates. The System’s investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Inland Library System
Notes to the Basic Financial Statements, continued
June 30, 2022 and 2021

(3) Capital Assets

The change in capital assets for 2022, was as follows:

	<u>Balance 2021</u>	<u>Addition/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2022</u>
Depreciable assets:				
Furniture and equipment	\$ 31,287	-	-	31,287
Total depreciable assets	<u>31,287</u>	<u>-</u>	<u>-</u>	<u>31,287</u>
Accumulated depreciation:				
Furniture and equipment	(31,287)	-	-	(31,287)
Total accumulated depreciation	<u>(31,287)</u>	<u>-</u>	<u>-</u>	<u>(31,287)</u>
Total depreciable assets, net	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

The change in capital assets for 2021, was as follows:

	<u>Balance 2020</u>	<u>Addition/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2021</u>
Depreciable assets:				
Furniture and equipment	\$ 31,287	-	-	31,287
Total depreciable assets	<u>31,287</u>	<u>-</u>	<u>-</u>	<u>31,287</u>
Accumulated depreciation:				
Furniture and equipment	(31,287)	-	-	(31,287)
Total accumulated depreciation	<u>(31,287)</u>	<u>-</u>	<u>-</u>	<u>(31,287)</u>
Total depreciable assets, net	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

(4) Pension Obligation

The System participated in the San Bernardino County Employees' Retirement Association (SBCERA) – a cost-sharing multiple-employer defined benefit public employee Retirement Association whose main function is to provide service retirement, disability, death and survivor benefits to the General and Safety members employed in the County of San Bernardino. SBCERA provides retirement benefits to the employee of the System. SBCERA issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be obtained from their executive office at 348 W. Hospitality Lane, Third Floor, San Bernardino, CA 92415-0014 or visiting the website at www.SBCERA.org.

On May 2019, the last remaining employee for the System terminated employment and the System effectively withdrew from SBCERA pursuant to Government Code Section 31564. Consequently, SBCERA calculated the System's unfunded liability according to Board policy and G.C. 31564.2. As a result, the terminal funding obligation calculated amounted to \$2,506,253, at an interest rate of 6.75% annually. All members of the system are jointly and severally liable for the terminal funding obligation.

As of June 30, 2022 and 2021, the pension obligation amounted to \$1,853,006 and \$2,506,253 respectively.

Inland Library System
Notes to the Basic Financial Statements, continued
June 30, 2022 and 2021

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

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

Governmental Accounting Standards Board Statement No. 91

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

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

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

Governmental Accounting Standards Board Statement No. 94

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

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

Inland Library System
Notes to the Basic Financial Statements, continued
June 30, 2022 and 2021

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

Governmental Accounting Standards Board Statement No. 96

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

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

Governmental Accounting Standards Board Statement No. 97

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

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

Inland Library System
Notes to the Basic Financial Statements, continued
June 30, 2022 and 2021

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

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.

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.

Inland Library System
Notes to the Basic Financial Statements, continued
June 30, 2022 and 2021

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

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.

(6) Commitments and Contingencies

Litigation

In the ordinary course of operations, the System is subject to claims and litigation from outside parties. The System believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(7) Subsequent Events

Events occurring after June 30, 2022, have been evaluated for possible adjustment to the financial statements or disclosure as of May 11, 2023, which is the date the financial statements were available to be issued.

On December 9, 2022, the System's pension obligation amounting to \$1,853,006 as of June 30, 2022, was fully paid by all members of the System.

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

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Required Supplementary Information

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Inland Library System
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2022

	<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:					
System operations:					
Services and supplies	\$ 107,911	-	107,911	411,673	(303,762)
Total expenditures	<u>107,911</u>	<u>-</u>	<u>107,911</u>	<u>411,673</u>	<u>(303,762)</u>
Program revenues:					
California State Library Act appropriation	196,981	-	196,981	366,229	169,248
Federal Library Services and Technology Act revenues	<u>39,396</u>	<u>-</u>	<u>39,396</u>	<u>36,097</u>	<u>(3,299)</u>
Total program revenues	<u>236,377</u>	<u>-</u>	<u>236,377</u>	<u>402,326</u>	<u>165,949</u>
General revenues:					
Member and associate dues	50,170	-	50,170	50,171	1
Interest earnings	-	-	-	853	853
Other revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>284</u>	<u>284</u>
Total general revenues	<u>50,170</u>	<u>-</u>	<u>50,170</u>	<u>51,308</u>	<u>1,138</u>
Total revenues	<u>286,547</u>	<u>-</u>	<u>286,547</u>	<u>453,634</u>	<u>167,087</u>
Excess(deficiency) of revenues over expenditures	178,636	<u>-</u>	178,636	41,961	<u>(136,675)</u>
Fund balance, beginning of year	<u>68,434</u>		<u>68,434</u>	<u>68,434</u>	
Fund balance, end of year	<u>\$ 247,070</u>		<u>247,070</u>	<u>110,395</u>	

Notes to Required Supplementary Information

(1) Budgets and Budgetary Data

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

Inland Library System
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2021

	<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:					
System operations:					
Services and supplies	\$ 111,257	-	111,257	231,570	(120,313)
Total expenditures	<u>111,257</u>	<u>-</u>	<u>111,257</u>	<u>231,570</u>	<u>(120,313)</u>
Program revenues:					
California State Library Act appropriation	197,960	-	197,960	192,573	(5,387)
Federal Library Services and Technology Act revenues	<u>29,113</u>	<u>-</u>	<u>29,113</u>	<u>29,113</u>	<u>-</u>
Total program revenues	<u>227,073</u>	<u>-</u>	<u>227,073</u>	<u>221,686</u>	<u>(5,387)</u>
General revenues:					
Member and associate dues	50,170	-	50,170	50,171	1
Interest earnings	-	-	-	1,591	1,591
Other revenue	<u>40,000</u>	<u>-</u>	<u>40,000</u>	<u>1,819</u>	<u>(38,181)</u>
Total general revenues	<u>90,170</u>	<u>-</u>	<u>90,170</u>	<u>53,581</u>	<u>(36,589)</u>
Total revenues	<u>317,243</u>	<u>-</u>	<u>317,243</u>	<u>275,267</u>	<u>(41,976)</u>
Excess(deficiency) of revenues over expenditures	<u>205,986</u>	<u>-</u>	<u>205,986</u>	<u>43,697</u>	<u>(162,289)</u>
Fund balance, beginning of year	<u>24,737</u>		<u>24,737</u>	<u>24,737</u>	
Fund balance, end of year	<u>\$ 230,723</u>		<u>230,723</u>	<u>68,434</u>	

Notes to Required Supplementary Information

(1) Budgets and Budgetary Data

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

Report on Internal Controls and Compliance

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**Independent Auditor’s Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on the Audits of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Administrative Council
Inland Library System
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 Inland Library System (System) as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprises the System’s basic financial statements, and have issued our report thereon dated May 11, 2023.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the System’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 System’s internal control. Accordingly, we do not express an opinion on the effectiveness of the System’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 audits we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System’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 audits 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 the Audits 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 the audits 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
May 11, 2023

DRAFT

Inland Library System

Management Report

June 30, 2022 and 2021

DRAFT

Inland Library System

Management Report

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Administrative Council
Inland Library System
Glendale, California

Dear Members of the Administrative Council:

In planning and performing our audits of the financial statements of the governmental activities and each major fund of the Inland Library System (System) as of and for the years ended June 30, 2022 and 2021, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the System'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 System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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 audits 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.

This communication is intended solely for the information and use of management, the Administrative Council, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

We appreciate the courtesy and cooperation extended to us during our examination. We would be pleased to discuss the contents of this letter with you at your convenience. Please do not hesitate to contact us.

C.J. Brown & Company CPAs
Cypress, California
May 11, 2023

APPENDIX

**Inland Library System
Audit/Finance Committee Letter
June 30, 2022 and 2021**

Administrative Council
Inland Library System
Glendale, California

We have audited the financial statements of the governmental activities and each major fund of the Inland Library System (System) for the years ended June 30, 2022 and 2021, and have issued our report thereon dated May 11, 2023.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated January 1, 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 audits of the financial statements does not relieve you or the management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audits 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 audits, we considered the internal control of the System 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 audits 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 audits in a separate letter to you dated May 11, 2023.

Planned Scope and Timing of the Audit

We conducted our audits 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 System 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 2022 and 2021. 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 which 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 which 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.

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 System'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 which is based on historical information that could differ from actual useful lives of each capitalized item.

Significant Unusual Transactions

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audits. 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 Audits

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

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audits, 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 System's financial statements or the auditor's report. No such disagreements arose during the course of the audits.

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 letter dated May 11, 2023.

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 System, 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 System's auditors.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, and Budgetary Comparison Schedules - General Fund, 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 audits 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 the System's staff members 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 System.

This information is intended solely for the information and use of the System's Administrative Council and management and is not intended to be, and should not be, used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

C.J. Brown & Company CPAs
Cypress, California
May 11, 2023



EC Agenda Item 6

DATE: May 11, 2023
TO: Executive Committee
FROM: Andy Beck, Controller – SCLC/Inland

SUBJECT: **Budget Status Report FY2022/23**

BACKGROUND: The Budget Report for FY 2022/23 reflects the reconciled bank statement through March 31, 2023. The Budget Report has been changed to reflect the modified accrual basis of accounting which is also the basis of accounting used for the audited financial statements.

REVENUE: Membership dues remain at 60% collected.

EXPENSES: Fiscal and administrative expenses of \$56,203 or 75% were paid through March 31, 2023.

RECOMMENDATION: Informational

EXHIBIT:
a. Budget to Actual Report

Inland Library System
Budget to Actual
March 31, 2023

REVENUES/EXPENSES	FY 22/23 Budget	Prior Year	Actuals	Balance	%	Notes
REVENUE						
CLSA Communications & Delivery	\$ 299,743	\$ 290,160	\$ 77,527	\$ 222,216	26%	Received on December 2022
CLSA System Administration	74,937	76,069	56,203	18,734	75%	Received on December 2022
Grant Project Revenue	-	28,440	8,532	(8,532)	0%	FY 21/22 paid in PY 22/23
Grant Indirect	-	7,657	-	-	0%	PLSEP grant approved; run through SCLC
Membership Dues	50,283	50,170	50,283	-	100%	60% Received
Interest Income	-	1,137	240	(240)	0%	Interest on cash balance
TOTAL REVENUE	\$ 424,963	\$ 453,633	\$ 192,785	\$ 232,178	45%	
EXPENDITURES						
Operating Expenses						
System Administration CLSA Funds	\$ 74,937	\$ 76,069	\$ 56,203	\$ 18,734	75%	To paid to SCLC
E-Resources	52,473	52,473	52,473	-	100%	Bibliotheca-Paid 7/26/22
Remaining CLSA Funds	215,189	206,478	-	215,189	0%	FY 21/22 paid in FY 22/23
Delivery	26,500	24,507	20,124	6,376	76%	Kerygl Books
Telecommunications	500	6,702	1,050	(550)	210%	Zoom, Website
Audit Fees	5,081	-	3,880	1,201	76%	FY 20/21 & FY 21/22 audit in progress
Other	-	9,347	1,603	(1,603)	0%	Legal Fees for Pension Issue.
Operating Expenses Total	374,680	375,576	135,333	239,347	36%	
Grant Expenses						
PLSEP	-	36,097	8,532	(8,532)	0%	FY 21/22 paid in PY 22/23
Grant Expenses Total	-	36,097	8,532	(8,532)	0%	
TOTAL EXPENDITURES	\$ 374,680	\$ 411,673	\$ 143,865	\$ 230,815	38%	
Surplus (Deficit)	\$ 50,283	\$ 41,960	\$ 48,920			

INLAND ACCOUNT BALANCES

	Beginning of Fiscal Year	Transfer out/ Expenditures	Transfer in/ Cash Receipts	March 31, 2023
Bank of America	\$ 763,170	\$ (389,577)	\$ 524,567	\$ 898,160
SB County Accounts	119,370	(119,370)	-	-
Total	\$ 882,540	\$ (508,947)	\$ 524,567	\$ 898,160
			Unrestricted	\$ 124,332
			Restricted	773,828
			Total	\$ 898,160



EC Agenda Item 7

DATE: May 11, 2023
TO: Executive Committee
FROM: Christine Powers, Executive Director – SCLC/Inland

SUBJECT: Inland Library System Webpage

BACKGROUND: Given that the Inland Library System is a legislative body formed by joint powers agreement, it is subject to the provisions of the Ralph M. Brown Act. The Brown Act is an act of the California State Legislature passed in 1953 that guarantees the public's right to attend and participate in meetings of local legislative bodies. It's been updated multiple times since its original drafting, and now includes a website posting requirement for agendas. While it has always been required to physically post agendas a minimum of 72 hours before upcoming regular meetings, it now requires that those agendas also be posted on the agency's website.

Inland's website, <https://www.inlandlib.org/>, is based on an older system that staff members are unable to update without paying an IT specialist to come in and make simple updates and post agendas. The current website has not been updated since 2021.

Given that the Southern California Library Cooperative (SCLC) is the administrative and fiscal agent for Inland, staff is requesting the Administrative Council's consideration of allowing SCLC to build a subpage for Inland under its website: <https://socallibraries.org/>. This webpage would include Inland's name, logo, a brief description of the organization, a list of member libraries, and a link to meeting agendas. Staff would take care of updating this site regularly to post agendas in compliance with the Brown Act and would also make any updates regarding member library contact information, as needed.

FISCAL IMPACT: Staff has been paying an annual domain renewal fee of \$17.99 to keep Inland's website address, as well as a web hosting fee of \$125. Moving forward, the fiscal impact would be the annual domain renewal fee of \$17.99 to maintain the web address that will be linked to SCLC's subpage.

RECOMMENDATION: Staff requests that the Executive Committee recommend approval of SCLC's management of Inland's webpage to the Administrative Council.

EXHIBIT: None

DATE: May 11, 2023
TO: Executive Committee
FROM: Christine Powers, Executive Director – SCLC /Inland

SUBJECT: **SCLC Agreement for Administrative and Fiscal Services for
FY 2023/24**

BACKGROUND: As members of a library cooperative system, the Inland Library System receives funding from the California State Library. The Communications and Delivery Program of the California Library Services Act (CLSA) is specifically designed to assist and encourage cooperative efforts among California public libraries.

There are currently nine library cooperative systems in the state charged with administering a variety of programs, services, and distribution of grant funds. In order to receive these funds, a library must be a member of one of these cooperative organizations.

As a member of the Inland Library System, members receive the following benefits only available to cooperative members:

- Receive funds disbursed under the California Library Services Act (CLSA) for communication and delivery services. For ILS, this is used for delivery and e-resource sharing.
- Advocacy support – This has meant advocating for changes in CLSA regulatory language, to expand the definition of CLSA acceptable use of funds for resource sharing and to identify and support regional priorities related to CLSA and non-CLSA work at the regional and State level.
- Grant oversight and management in collaboration with the State Library, such as the Public Library Staff Education Program and the Digital Navigators Program.
- Filing all required reports, such as the CLSA Plan of Service and Annual Report.

As the entity that administrative and fiscal services, SCLC manages the following on behalf of Inland:

- Delivery services – provide communication with couriers and contract management.
- eResource sharing – ILS maintains a subscription for eBooks, eAudio, eMagazines, and Zoom. If purchased and managed separately, each contract would represent a significant allocation of staff time and financial resources per library.
- Webpage management, to comply with agenda posting as required by the Brown Act (pending approval by Administrative Council at the May 11, 2023 meeting).



For the past several years, Inland has entered into annual agreements with the Southern California Library Cooperative (SCLC) for fiscal and administrative services. The attached one-year agreement, which runs from July 1, 2023, to June 30, 2024, reflects current staffing costs. These amounts were calculated using Inland's share of the CLSA funding between the five systems managed by SCLC. Additionally, staff has submitted a new line item in the contract for office supplies and communication, which would come from the CLSA Communication and Delivery Budget.

FISCAL IMPACT: The fiscal impact has yet to be finalized, but currently, staff estimates approximately \$82,666. Of that amount, \$74,767 is the CLSA Preliminary System Budget Allocation for Inland. It should be noted, however, that the California Library Services Board has not yet approved these figures and may be subject to change.

Additional contract costs consist of the following estimated charges, to come from CLSA Communication and Delivery Budget:

Office supplies:	\$3,169
Telecommunications:	\$4,730

These amounts were calculated using Inland's share of the CLSA funding between the five systems managed by SCLC. Inland's share of the CLSA funding is 21.85%, which was applied to the total anticipated amount for office supplies and telecommunication. While it is not expected, should the California Library Services Board change the Preliminary System Budget Allocations, these figures may change accordingly.

RECOMMENDATION: Recommend to the Administrative Council the authorization of the Administrative Council Chair to sign the agreement between Inland Library System and the SCLC, for administrative and fiscal services for FY 2023/24.

EXHIBIT:

- a. Agreement between Inland Library System and SCLC

**AGREEMENT between
INLAND LIBRARY SYSTEM and
SOUTHERN CALIFORNIA LIBRARY COOPERATIVE**

This statement of terms constitutes the Agreement whereby SOUTHERN CALIFORNIA LIBRARY COOPERATIVE (SCLC) will provide Administrative and Fiscal Agent services for INLAND LIBRARY SYSTEM (ILS).

WHEREAS:

- Both Parties acknowledge the importance of regional resource sharing and other programs to improve library service and will collaborate in a planning process to identify and develop long-term programs and services to accomplish these goals.
- Service standards for CLSA programs will be those required by the California Library Services Act (CLSA).
- Revenues, expenditures, reserves, and the annual ILS member fees for services to be provided within a fiscal year are detailed in the ILS Budget. The Budget may be amended or replaced by the ILS Administrative Council without requiring consideration or re-approval of this agreement.

1. Dates and Amendments

- The Agreement is effective July 1, 2023.
- The Agreement will be a one-year contract, renewable annually if approved by ILS and SCLC Administrative Councils no later than May 31 of the preceding fiscal year.
- Changes in the Agreement may be negotiated at the request of either party. Any changes or amendments must be in writing and approved by the ILS and SCLC Administrative Councils.

2. Administrative Services

SCLC staff will provide Administrative Services for ILS, to include:

- Preparing a System Plan of Service, System Detailed Budget, and Annual Report in compliance with the requirements of CLSA and the California State Library and subject to approval by the ILS Administrative Council.
- Maintaining records and reporting all required statistics in compliance with CLSA and other applicable state and federal requirements.
- Communicating with the ILS Administrative Council's Chair and members regularly using email, telephone, regular U.S. mail and other methods as appropriate.
- Coordinating ILS Executive and Administrative Council meetings, including preparing and distributing Agendas and Minutes, and committee meetings as needed.

- Sending at least one SCLC staff member to personally attend the regularly scheduled May ILS Administrative Council meeting; having at least one SCLC staff member attend other meetings virtually.
- Preparing financial reports prior to each Council meeting showing revenues, expenditures, and reserves and submitting such reports as part of the meeting agenda packet.
- Annually developing a budget in collaboration with ILS Administrative Council for programs or services to be provided in the subsequent fiscal year.
- Negotiating and drafting agreements with vendors, contractors, or consultants on behalf of ILS for services specifically authorized by CLSA. The Administrative Council will have final approval over choices of, contracts with, and performance of any third-party vendors, contractors, or consultants providing services to ILS. A fee for contracts outside of the CLSA guidelines will be negotiated.
- Articulating the mission and purpose of ILS at the state level as needed and/or directed.
- Supporting special projects and additional activities not specifically authorized and/or fully funded by CLSA as desired by the ILS Administrative Council. (Service levels and costs to be negotiated with the Council and added as attachments to the agreement, subject to SCLC staff capacity.)
- Submitting an annual audit to the California State Controller as required by governmental agencies.
- Maintaining all appropriate files and records as required by state and federal laws and by ILS's own record retention policies.

The ILS Administrative Council and its members will provide SCLC with administrative oversight regarding ILS programs and services through:

- Maintaining close contact with member libraries to review their activities and needs.
- Providing SCLC with meeting schedules, agendas, and materials for any ILS committees that may be established and acting as liaisons to any such committees to ensure continuity and stability.
- Monitoring CLSA-required activities and service levels.
- Maintaining close contact with all parties involved in any non-CLSA projects as approved and negotiated by both parties.
- Approving choices of, contracts with, and performance of any third-party vendors, contractors, or consultants providing services to ILS within CLSA administrative and fiscal guidelines.

3. **Fiscal Agent Services**

SCLC staff will provide Fiscal Agent Services for ILS, to include:

- Arranging for the receipt, deposit, disbursement, and accounting of funds allocated by the State of California or federal government.
- Collecting and depositing member fees and other fees or revenues due to ILS, whether by grant application, invoice, or other means.
- Working with ILS's Council, establish procedures for handling receivables and payables in a timely manner, including submitting requests for approval to the Council's Chair for payments in excess of \$5,000.
- Providing comprehensive revenue, expenditure, and reserve financial reports prior to each Council meeting in accordance with the reporting requirements of CLSA and generally accepted accounting principles.
- Working with ILS's Administrative Council, prepare and submit reports as required by the State of California or the California Library Services Board, including the Annual Report for Special Districts to the State Controller.
- Establishing procedures to have an independent financial audit performed at the end of the fiscal year. *(Note: Cost of the audit is not covered by this agreement and is charged against CLSA Baseline/Communication and Delivery funds.)*
- Maintaining all appropriate files and records as required by state and federal laws and by ILS's own record retention policies.

The ILS Administrative Council will provide SCLC with administrative oversight of fiscal agent services through:

- Reviewing quarterly fiscal reports and requesting explanations as needed, and reviewing and responding to expenditure requests or budget amendments at Administrative Council meetings.
- Addressing and resolving any policy or procedural issues brought forward by SCLC staff to ensure that fiscal services are delivered efficiently, accurately, and at a competitive rate, as determined by ILS.

4. **Dissolution of Agreement**

In the event that this Agreement is terminated, SCLC will return to ILS all funds, files, and financial records in its custody. SCLC will cause an audit to take place within ninety (90) days of the expiration of the Agreement. Any funds remaining after all ILS expenditures and obligations are accounted for will be returned to ILS or to its designated entity within thirty (30) days following acceptance of the audit paid for equally by the ILS and SCLC Administrative Councils.

5. Changes in Legislation

Should the California Library Services Act be legislatively amended or restructured in the future, the Administrative Councils for ILS and SCLC shall amend this Agreement in compliance with any required changes.

6. Payment to SCLC for its Services

As payment in full for these services for FY 2023-24 (July 1- June 30) SCLC shall reimburse itself from the:

- Indirect fees from grants up to 10% and negotiated staffing over 10%, when applicable.
- CLSA System Administration fees up to the designated 20%, to be paid in full upon receipt by ILS of CLSA funding from the State, within 30 days of receipt of the funding.
- CLSA Communication and Delivery Fees: Offices Supplies and Telecommunications, a shared cost that is subject to approval by the Administrative Council as part of the system annual budget, to be paid in full upon receipt by ILS of CLSA funding from the State, within 30 days of receipt of the funding.
- Other administrative and fiscal fees to be negotiated. (*See Attachment A*)

7. Signatures

ILS Administrative Council Chair

Date

SCLC Executive Director

Date

Attachment A - Administrative and Fiscal Fee Schedule for Additional Services

Hourly Staffing Rates*

Executive Director	\$97.29
Deputy Director	\$76.17
Controller	\$63.35
Project Manager	\$66.11
Administrative Assistant	\$50.74
Operational (in addition to hourly)	\$35.00
Grant	Indirect 10% (additional staff hours paid)
Non-CLSA project	Negotiated based on hourly rate
Contracts for CLSA projects	Up to CLSA System Administration allocation, then negotiated based on hourly rate
Travel	Up to CLSA System Administration allocation, then negotiated based on hourly rate and travel expenses

*Hourly rates for non-CLSA projects subject to change with SCLC Administrative Council authorized increases to staff salaries or benefits.



EC Agenda Item 9

DATE: May 11, 2023
TO: Executive Committee
FROM: Andy Beck, Controller – SCLC/Inland

SUBJECT: **Proposed Budget FY2023/24**

BACKGROUND: The Proposed Budget for the upcoming FY2023/24 is attached for review.

Revenue

The California State Library has released the preliminary allocations of the CLSA funding. The budget has been calculated based on this information and the previously approved membership dues.

Expenses

Projected expenses were calculated based on approved future increases, contracts, expenses from prior years, and historical trends. Depending on the subjectivity of the estimate, each item of expense has been rounded up.

Points to review:

- CLSA system administration will be paid to SCLC.
- Spending of CLSA funds must be approved by the Council.
- If the Council decides on projects outside of CLSA funding, the cost will be negotiated.
- A surplus of \$49,700 is projected.

FISCAL IMPACT: Next step is approval of funds at the next California Library Service Board (CLSB) meeting and final approval of the Governor's budget.

RECOMMENDATION: Recommend approval the Proposed Budget to the Administrative Council, pending final approvals of CLSB and Governor's budget.

EXHIBIT:

- a. Proposed Budget

	FY23/24 Budget	Prior Year Actuals	Actuals	Balance	%	Notes
REVENUE						
CLSA Communications & Delivery	\$ 299,065			\$ 299,065	0%	Expected to be received in Dec 2023
CLSA System Administration	74,767			74,767	0%	Expected to be received in Dec 2023
Membership Dues	50,188			50,188	0%	
Total revenues	\$ 424,020	\$ -	\$ -	\$ 424,020	0%	
EXPENDITURES						
Communications and delivery						
Delivery	\$ 27,000			\$ 27,000	0%	Kergyl
E-resources	52,473			52,473	0%	Bibliotheca
Resource sharing	204,693			204,693	0%	
Audit Fees	-			-	0%	Bienniel audit
Office supplies	3,169			3,169	0%	Reimburse expenses
Telecommunications	11,730			11,730	0%	Reimburse expenses
Total communication and delivery	299,065	-	-	299,065	0%	
Administration						
Administration expense	74,767			74,767	0%	SCLC
Memberships	-			-	0%	Califa
Meetings/conferences/travel	488			488	0%	
Other	-			-	0%	
Total administration	75,255	-	-	75,255	0%	
Total expenditures	\$ 374,320	\$ -	\$ -	\$ 374,320	0%	
SURPLUS (DEFICIT)	\$ 49,700	\$ -	\$ -	\$ 49,700	0%	