BLACK GOLD COOPERATIVE LIBRARY SYSTEM

FINANCIAL STATEMENTS
June 30, 2022

BLACK GOLD COOPERATIVE LIBRARY SYSTEM
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ORGANIZATION AND DESCRIPTION

The Black Gold Cooperative Library System (the System) is composed of the public libraries of Santa Barbara, San Luis Obispo Counties and the Santa Paula Special District Library. A Joint Powers Agreement under the Public Library Development Act of 1963, established the System in 1964. Its purpose is to provide a cooperative library system to improve and coordinate the public library functions of the members. On December 1, 1984, the Joint Powers Agreement was revised and amended, creating the Black Gold Cooperative Library System as a separate legal entity.

The governing board for the System is an administrative council consisting of the head librarian of each of the member libraries. The council appoints a director under whose direction and control the work of the library system is carried out. On December 1, 1984, the responsibilities of the prior fiscal agent were turned over to the Black Gold Cooperative Library System's administrative council.

ADMINISTRATIVE COUNCIL

Angelica Fortin	Paso Robles Public Library
Chris Barnickel	San Luis Obispo County Library
Dawn Jackson	Santa Maria Public Library
Sarah Bleyl	Lompoc Public Library
Jessica Cadiente	Santa Barbara Public Library
Allison Gray	Goleta Public Library
Ned Branch	Blanchard Community Library, Santa Paula

ADMINISTRATION

Glynis Fitzgerald	Director of Operations

Moss, Levy & Hartzheim LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Administrative Council
Black Gold Cooperative Library System
Arroyo Grande, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the fiduciary fund of the Black Gold Cooperative Library System (the System), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Black Gold Cooperative Library 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, the major fund, and the fiduciary fund of the Black Gold Cooperative Library System, as of June 30, 2022, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 1 to the financial statements, for the fiscal year ended June 30, 2022, the Black Gold Cooperative Library System adopted new accounting guidance, *GASB No. 87 Leases.* Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Black Gold Cooperative Library 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Black Gold Cooperative Library 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 Black Gold Cooperative Library 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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the budgetary information on page 29, the schedule of changes in the OPEB liability and related ratios on page 30, the schedule of OPEB contributions on page 31, the schedule of proportionate share of net pension liability on page 32, and the schedule of pension contributions on page 33, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report date December 5, 2022, on our consideration of the Black Gold Cooperative Library System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Moss, Levy & Hartzheim LLP

Santa Maria, California
December 5, 2022

BLACK GOLD COOPERATIVE LIBRARY SYSTEM
STATEMENT OF NET POSITION
June 30, 2022

	Governmental Activities
ASSETS	
Cash and investments	$ 1,316,323
Accounts receivable	388,198
Prepaid items	198,417
Right of use:	
Lease building, net	111,479
Capital assets:	
Depreciable, net	67,219
Total assets	2,081,636
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	178,576
OPEB	82,505
Total deferred outflows of resources	261,081
LIABILITIES	
Accounts payable	123,317
Accrued wages and benefits	7,034
Unearned revenue	307,052
Lease liability	32,030
Compensated absences	8,869
Total due within one year	478,302
Due after one year	
Compensated absences	19,725
Lease liability	71,420
OPEB liability	470,301
Net pension liability	142,892
Total due after one year	704,338
Total liabilities	1,182,640
DEFERRED INFLOWS OF RESOURCES	
Pensions	225,461
OPEB	4,059
Total deferred inflows of resources	229,520
NET POSITION	
Net investment in capital assets	75,248
Unrestricted	855,309
Total net position	$ 930,557

The notes to basic financial statements are an integral part of this statement.

BLACK GOLD COOPERATIVE LIBRARY SYSTEM
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2022

	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Net (Expense) Revenue and Changes in Net Position
Governmental activities:					
Library services	$ 1,693,644	$ 1,344,159	$ 657,421	$ -	$ 307,936
Total governmental activities	$ 1,693,644	$ 1,344,159	$ 657,421	$ -	307,936
General Revenue					
Investment income					2,593
Total general revenue					2,593
Change in net position					310,529
Net position at beginning of fiscal year					620,028
Net position at end of fiscal year					$ 930,557

The notes to basic financial statements are an integral part of this statement.

BLACK GOLD COOPERATIVE LIBRARY SYSTEM
GOVERNMENTAL FUND
BALANCE SHEET
June 30, 2022

	General Fund
ASSETS	
Cash and investments	$ 1,316,323
Accounts receivable	388,198
Prepaid items	198,417
Total assets	$ 1,902,938
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	$ 123,317
Accrued wages and benefits	7,034
Unearned revenue	307,052
Total liabilities	437,403
Fund balance:	
Nonspendable:	
Prepaid items	198,417
Committed:	
Retiree health care	257,926
Assigned:	
Vehicle replacement	28,000
ILS replacement	298,359
Unassigned	682,833
Total fund balance	1,465,535
Total liabilities and fund balance	$ 1,902,938

The notes to basic financial statements are an integral part of this statement.

BLACK GOLD COOPERATIVE LIBRARY SYSTEM
RECONCILIATION OF THE GOVERNMENTAL
FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2022

Total Fund Balance - Governmental Fund			$	1,465,535
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets, net of depreciation have not been included as financial resources in governmental fund activity				67,219
Right to use assets, net of amortization have not been included as financial resources in governmental fund activity				111,479
Long-term liabilities: In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:				
Compensated absences	$	(28,594)		
Lease liability		(103,450)		
OPEB liability		(470,301)		
Net pension liability		(142,892)		
Total				(745,237)
Deferred outflows and inflows of resources relating to pensions and OPEB: In governmental funds, deferred outflows and inflows of resources relating to pensions and OPEB are not reported because they are applicable to future periods. In the statement of the net position, deferred outflows and inflows of resources resources relating to pensions and OPEB are reported.				
Deferred inflows of resources relating to pensions	$	(225,461)		
Deferred inflows of resources relating to OPEB		(4,059)		
Deferred outflows of resources relating to pensions		178,576		
Deferred outflows of resources relating to OPEB		82,505		
Net				31,561
Total Net Position - Governmental Activities			$	930,557

The notes to basic financial statements are an integral part of this statement.

BLACK GOLD COOPERATIVE LIBRARY SYSTEM

GOVERNMENTAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2022

	General Fund
Revenues:	
ATS member contributions	$ 939,796
Online reference services	231,650
CLSA	156,370
eRate and CTF discounts	372,013
Grant income	285,408
Interest earnings	2,593
Other	16,343
Total revenues	2,004,173
Expenditures:	
Current:	
Salaries and employee benefits	584,901
Services and supplies	1,368,360
Capital outlay	174,970
Debt Service:	
Principal on lease	22,753
Interest on lease	2,007
Total expenditures	2,152,991
Excess of revenues over expenditures	(148,818)
Other Financing Sources:	
Lease liability issued	126,203
Total other financing sources	126,203
Net change in fund balance	(22,615)
Fund balance - July 1	1,488,150
Fund balance - June 30	$ 1,465,535

The notes to basic financial statements are an integral part of this statement.

BLACK GOLD COOPERATIVE LIBRARY SYSTEM
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2022

Net Change in Fund Balance - Governmental Fund		$ (22,615)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlay is reported in governmental funds as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital assets of $48,767 is greater than depreciation expense of $(27,291).		21,476
Right to use assets are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over length of the lease. This is the amount by which additions to right to use assets of $126,203 is greater than amortized expense of $(14,724).		111,479
In the statement of activities, compensated absences are measured by the amounts earned during the fiscal year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially the amounts paid). This fiscal year, vacation used was more than the amounts earned by $5,914.		5,914
The issuance of lease liability provides current financial resources to governmental funds, while the repayment of the principal of lease liability consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. The amount is the net effect of these differences in the treatment of lease liability and related items.		
New lease liability issued	$ (126,203)	
Principal payments on lease liability	22,753	
		(103,450)
In governmental funds, OPEB costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This fiscal year, the difference between accrual-basis OPEB costs and actual employer contributions was:		(31,048)
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. The fiscal year, the difference between accrual-basis pension costs and actual employer contributions was:		328,773
Change in Net Position - Governmental Activities		$ 310,529

The notes to basic financial statements are an integral part of this statement.

BLACK GOLD COOPERATIVE LIBRARY SYSTEM
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
June 30, 2022

	Agency Fund Gold Coast Fund
ASSETS:	
Cash on Hand and in Banks	$ 525
Total Assets	$ 525
LIABILITIES:	
Due to Gold Coast Library Network	$ 525
Total Liabilities	$ 525

The notes to basic financial statements are an integral part of this statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Black Gold Cooperative Library System (the System), was duly organized under Section 6507 of the California Government Code on December 1, 1984.

B. Reporting Entity

The reporting entity is the Black Gold Cooperative Library System. There are no component units included in this report which meets the criteria of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, No. 61, No. 80, and No. 90.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the System. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. The *System expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Major individual governmental funds are reported as separate columns in the fund financial statements.

D. Basis of Presentation

Government-wide and fund financial statements:

The government-wide statements are prepared using the economic resources measurement focus. This approach differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the System's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The System does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the System, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the System.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements:

Fund financial statements report detailed information about the System. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases, (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fiduciary funds are reported using the economic resources measurement focus.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the System, "available" means collectible within the current period or within 60 days after fiscal year-end.

Non-exchange transactions, in which the System receives value without directly giving equal value in return, include grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the System must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the System on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue:

Unearned revenues arise when assets are received before revenue recognition criteria have been satisfied. Grants received before eligibility requirements are met are recorded as unearned revenue.

Expenses/expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

When both restricted and unrestricted resources are available for use, it is the System's policy to use restricted resources first then unrestricted resources as they are needed.

F. Fund Accounting

The accounts of the System are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures. The System's resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The System's accounts are organized, as follows on the next page:

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Accounting (Continued)

Major Governmental Fund:

The *General Fund* is the general operating fund of the System. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Fund:

Agency funds are used to account for assets of others for which the System acts as an agent. The System maintains an agency fund for the Gold Coast Library Network account. The fund is used to collect funds for the Gold Coast Library Network.

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

H. Budgets and Budgetary Accounting

The System is required by their By-Laws to adopt an annual budget for the General Fund. The budget is presented on the basis of the funding sources available.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to January 30 of the preceding fiscal year, the System prepares a tentative budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. After March 1, but prior to April 1 of each fiscal year, the Administrative Council shall adopt a preliminary budget for expenditures of the System.
3. Prior to July 1, the Administrative Council adopts the final budget.
4. The budget is amended periodically throughout the fiscal year.

Once a budget is approved, it can still be amended by the Administrative Council. The budget is controlled by the Administrative Council at the revenue and expenditure function/object level.

I. Investments

Investments are stated at fair value.

J. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental fund types.

K. Capital Assets

Capital assets (including infrastructure) are recorded at cost where historical records are available and at an estimated original cost where no historical records exist. Contributed capital assets are valued at their estimated fair value at the date of the contribution. Capital assets are defined by the System as assets with an initial, individual cost of more than $5,000 and estimated useful life in excess of two years.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the governmental column in the government-wide financial statements. Depreciation is charged as an expense against operations and accumulated depreciation is reported on the statement of net position. The estimated useful lives are as follows:

Furniture, equipment and vehicles	3 to 7 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. **Prepaid Items**

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

M. **Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

N. **Compensated Absences**

The System accrues accumulated vacation leave and then expenses the cost as paid in the General Fund. It is the policy of the System to pay all accumulated vacation leave when an employee retires or is otherwise terminated.

Sick leave costs are expensed as paid in the General Fund. Employees have vested rights to a quarter of their accumulated unpaid sick leave upon retirement after ten years of service.

Sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

O. **Pensions**

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

P. **Other Postemployment Benefits (OPEB)**

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the System's plan (OPEB Plan), when applicable, and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Q. **Fund Balances**

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the System's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. **Fund Balances (Continued)**

Assigned Fund Balance – represents amounts which the System intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purpose of the System.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the System considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the System considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

R. **Net Position**

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consist of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

S. **Deferred Outflows and Inflows of Resources**

Pursuant to GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*," and GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities,*" the System recognizes deferred outflows and inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period. The System has two items which qualify for reporting in this category; refer to Note 7 and Note 9 for a detailed listing of the deferred outflows of resources the System has reported.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the System that is applicable to a future reporting period. The System has two items which qualify for reporting in this category; refer to Note 7 and Note 9 for a detailed listing of the deferred inflows of resources the System has reported.

T. **Right to use assets**

The System has recorded right to use lease assets as a result of implementing GASB Statement No. 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

U. **New Accounting Pronouncements**

Governmental Accounting Standards Board Statement No. 87

For the fiscal year ended June 30, 2022, the System implemented Governmental Accounting Standards Board (GASB) Statement No. 87, "Leases." This statement is effective for periods beginning after June 15, 2021. 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. Implementation of GASB Statement No. 87 did have an impact on the System's financial statements for the fiscal year ended June 30, 2022, see Note 4 – Right to use asset and Note 5 – Lease Liability.

V. **Future Accounting Pronouncements**

GASB Statements listed below will be implemented in future financial statements:

Statement No. 91	"Conduit Debt Obligations"	The provisions of this statement are effective for fiscal years beginning after December 15, 2021.
Statement No. 93	"Replacement of Interbank Offered Rates"	The provisions of this statement except for paragraphs 11b, 13, and 14 are effective for fiscal years beginning after June 15, 2020. Paragraph 11b is effective for fiscal years beginning after December 31, 2021. Paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021.
Statement No. 94	"Public-Private and Public-Public Partnerships and Availability Payment Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 96	"Subscription-Based Information Technology Arrangements"	The provisions of this statement are effective for fiscal years beginning after June 15, 2022.
Statement No. 98	"The Annual Comprehensive Financial Report"	The provisions of this statement are effective for fiscal years beginning after December 15, 2021.
Statement No. 99	"Omnibus 2022"	The provisions of this statement are effective in April 2022 except for the provisions related to leases, PPPs, SBITAs, financial guarantees and derivative instruments. The provisions related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022. The provisions related to financial guarantees and derivative instruments are effective for fiscal years beginning after June 15, 2023.
Statement No. 100	"Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62"	The provisions of this statement are effective for fiscal years beginning after June 15, 2023.
Statement No. 101	"Compensated Absences"	The provisions of this statement are effective for fiscal years beginning after December 15, 2023.

NOTE 2 - CASH AND INVESTMENTS

The System pools idle cash from all funds for the purpose of increasing income through investment. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balances of each fund. On June 30, 2022, the System had the following cash and investments on hand:

Cash on hand	$	47
Cash in bank		389,426
Local Agency Investment Fund		927,375
Total cash and investments	$	1,316,848

Cash and investments are presented on the accompanying basic financial statements, as follows:

Cash and investments, statement of net position	$	1,316,323
Cash on hand and in banks, statement of fiduciary assets and liabilities		525
Total cash and investments	$	1,316,848

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The System had investments in the Local Agency Investment Fund and that external pool is measured under Level 2.

Investments Authorized by the System's Investment Policy

The System's investment policy only authorizes investment in the local government investment pool administered by the State of California (LAIF). The System's investment policy does not contain any specific provisions intended to limit the System's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of fiscal year end, the weighted average maturity of the investments contained in the LAIF investment pool is approximately 102 days.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF does not have a rating provided by a nationally recognized statistical rating organization.

Concentration of Credit Risk

The investment policy of the System contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of the total System's investments.

NOTE 2 - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the System's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits. The California Government Code requires that 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 fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public agencies deposits by pledging first trust deed mortgage notes having value of 150% of the secured public deposits.

None of the System's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the System's investment policy do not contain legal or 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 governmental investment pools (such as LAIF).

Investment in State Investment Pool

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

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2022, was as follows:

Governmental activities	Balance July 1, 2021	Additions	Disposals	Balance June 30, 2022
Depreciable capital assets:				
Vehicles	$ 24,872	$ -	$ -	$ 24,872
Furniture and equipment	530,571	48,767		579,338
Total depreciable capital assets	555,443	48,767		604,210
Total accumulated depreciation	509,700	27,291		536,991
Net depreciable capital assets	$ 45,743	$ 21,476	$ -	$ 67,219
Net capital assets	$ 45,743	$ 21,476	$ -	$ 67,219

NOTE 4 – RIGHT TO USE ASSET

Right to use asset activity for the System for the fiscal year ended June 30, 2022, was as follows:

	Balance July 1, 2021	Additions	Reductions	Balance June 30,2022
Right to use assets				
Leased office	$ -	$ 126,203	$ -	$ 126,203
Total right to use assets		126,203		126,203
Less accumulated amortization for:				
Leased office		14,724		14,724
Total accumulated amortization		14,724		14,724
Right to use assets, net	$ -	$ 111,479	$ -	$ 111,479

NOTE 5 – LEASE LIABILITY

On November 1, 2021, the System agreed to terms on an amendment to the office space lease agreement (for units 578 and 580) to extend the lease to November 30, 2026 for a monthly payment of $3,095, with a 2% increase each subsequent year on December 1st. The lease amendment also included an option for the System to vacate unit 578 and terminate half the lease with no early termination fees by providing a six month notice of intent. The lease liability is measured at a discount rate of 3%, which is the rate of a 5 year US Treasury bill. As a result of the lease, the System has recorded a right to use asset with a net book value of $111,479.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

Fiscal Year Ending June 30	Principal Payments	Interest Payments	Total
2023	$ 32,030	$ 2,448	$ 34,478
2024	25,326	1,729	27,055
2025	18,413	1,132	19,545
2026	19,369	567	19,936
2027	8,312	62	8,374
	$ 103,450	$ 5,938	$ 109,388

NOTE 6 – LONG-TERM LIABILITIES

The System allows employees to accumulate unused sick leave to a maximum of 800 hours. The maximum accumulation of vacation leave is limited to 256 hours for each employee. Employees are paid 100% of their accumulated vacation pay when they terminate their employment for any reason. Accumulated sick pay is paid only under the following conditions: 25% of the accumulation to a maximum of 800 hours is paid for full-time employees terminated for any reason after 10 full years of continuous services.

The following is a summary of long-term liability activity for the fiscal year ended June 30, 2022:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due within One Year
Governmental activities:					
Compensated absences	$ 34,508	$ 29,563	$ 35,477	$ 28,594	$ 8,869
Lease liability		126,203	22,753	103,450	32,030
OPEB liability	387,623	97,443	14,765	470,301	
Net pension liability	627,022	144,673	628,803	142,892	
	$ 1,049,153	$ 397,882	$ 701,798	$ 745,237	$ 40,899

NOTE 7 – POST EMPLOYEMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The System provides post-retirement health benefits to all retirees with five years of service who retire from the System and have reached the minimum age of 55. The System sponsors healthcare coverage under the California Public Employees Medical and Hospital Care Act ("PEMHCA"), commonly referred to as PERS Health. PEMHCA provides health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options.

Funding Policy

The System pays the PEMHCA minimum to eligible retirees $143/month in 2021 and $149/month in 2022. Those who retire directly from the System with at least 50 years in age and 5 years CalPERS service if hired before 1/1/2013, and 52 years in age and 5 years CalPERS service if hired on or after 1/1/2013 are eligible. In addition, the System pays the PEMHCA administrative fee. Survivor benefits are available. The System does not contribute dental, vision, and life benefits for retirees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Employees Covered

As of the June 30, 2021 actuarial valuation, the following current and former employees were covered by the benefit terms under the System's Plan:

Active plan members	5
Inactive employees or beneficiaries currently receiving benefits	7
Total	12

The System currently finances benefits on a pay-as-you go basis.

Net OPEB Liability

The System's Net OPEB Liability was measured as of June 30, 2021 and the total OPEB liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of June 30, 2021. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3.00%
Inflation rate	2.50%
Healthcare cost trend rate	5.20% for 2021 through 2034; 5% for 2035 through 2049; 4.50% for 2050 through 2064; and 4% for 2065 and later years

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. To achieve the goal set by the investment policy, plan assets will be managed to earn, on a long-term basis, a rate of return equal to or in excess of the target rate of return of 1.92 percent.

NOTE 7 – POST EMPLOYEMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Change of Assumptions

The discount rate was decreased from 2.45 percent to 1.92 percent.

Discount Rate

GASB 75 requires a discount rate that reflects the following:

(a) The long-term expected rate of return on OPEB plan investments — to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
(b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher — to the extent that the conditions in (a) are not met.

To determine a resulting single (blended) rate, the amount of the plan's projected fiduciary net position (if any) and the amount of projected benefit payments is compared in each period of projected benefit payments. The discount rate used to measure the System's total OPEB liability is based on these requirements and the following information:

Reporting Date	Measurement Date	Long Term Expected Return of Plan Investments	Municipal 20 Year High Grade Rate Index	Discount Rate
June 30, 2021	June 30, 2020	4.00%	2.45%	2.45%
June 30, 2022	June 30, 2024	4.00%	1.92%	1.92%

Changes in the OPEB Liability

	Total OPEB Liability
Balance at June 30, 2021 (Valuation Date June 30, 2021)	$ 387,623
Changes recognized for the measurement period:	
Service cost	14,247
Interest	9,666
Difference between expected and actual experience	19,457
Changes of assumptions	54,073
Contributions - employer	
Net investment income	
Benefit payments	(14,765)
Net Changes	82,678
Balance at June 30, 2022 (Measurement Date June 30, 2021)	$ 470,301

NOTE 7 – POST EMPLOYEMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (0.92 percent) or 1-percentage-point higher (2.92 percent) than the current discount rate:

	1% Decrease 0.92%	Current Rate 1.92%	1% Increase 2.92%
OPEB Liability	$ 547,055	$ 470,301	$ 408,672

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

The following presents the OPEB liability, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1-percentage point lower (4.20 percent) or 1-percentage-point higher (6.20 percent) than the current healthcare cost trend rates:

	1% Decrease (4.20%)	Healthcare Cost Trend Rate (5.20%)	1% Increase (6.20%)
OPEB Liability	$ 405,791	$ 470,301	$ 551,165

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

For the fiscal year ended June 30, 2022, the System recognized OPEB expense of $43,484. As of the fiscal year end June 30, 2022, the System reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 12,436	$ -
Change in assumptions	55,601	
Difference between expected and actual experience	14,468	4,059
	$ 82,505	$ 4,059

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to OPEB liability to be recognized in future periods in a systematic and rational manner. $12,436 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the fiscal year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the pension expense as follows:

Fiscal Year Ending June 30,	Amount
2023	$ 28,139
2024	20,903
2025	16,968
	$ 66,010

NOTE 8 – EMPLOYEES' DEFERRED COMPENSATION PLAN (FULL TIME EMPLOYEES)

The System offers its employees a deferred compensation plan created in accordance with federal and state laws. Employees participating in the program may defer income tax recognition on contributions to the Plan, up to specified amounts, and on earnings resulting from the investment of these contributions. Funds may be withdrawn from the Plan upon retirement, disability, or separation from the System employment by the participant and, at that time, such funds become subject to income tax.

It is the System's position that it has no fiduciary obligation in the management of the Plan's resources and is not responsible for any loss due to the investment or failure of investment funds and assets of the Plan, nor shall the System be required to replace any loss which may result from such investments.

NOTE 9 – PENSION PLAN

A. General Information about the Pension Plans

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the System's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and System resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

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

The Plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

	Miscellaneous	
Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52-67
Monthly benefits, as a % of eligible compensation	1.0% to 2.7%	1.00% to 2.5%
Required employee contribution rates	7.000%	6.75%
Required employer contribution rates	10.88%+$52,395	7.59%+ $859

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The System is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Contributions to the pension plan from the System were $90,850 for the fiscal year ended June 30, 2022.

NOTE 9 – PENSION PLAN (Continued)

A. General Information about the Pension Plans (Continued)

At June 30, 2022, the System reported a liability of $142,892 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The System's proportion of the net pension liability was based on a projection of the System's long-term share of contributions to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. The System's proportionate share of net pension liability for the plan as of June 30, 2021 was as follows:

Proportion - June 30, 2020	0.01487%
Proportion - June 30, 2021	0.00753%
Change - Increase (Decrease)	(0.00734%)

For the fiscal year ended June 30, 2022, the System recognized pension expense of $(237,924). Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or method, and plan benefits.

At June 30, 2022, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	$ 90,850	$ -
Differences between expected and actual experience	16,024	
Changes in assumptions		
Net difference between projected and actual earnings on retirement plan investments		124,738
Adjustment due to differences in proportions	71,702	
Changes in actual contributions and proportionate share of contributions		100,723
	$ 178,576	$ 225,461

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner. $90,850 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Fiscal Year Ending June 30,	Amount
2023	$ (38,281)
2024	(35,462)
2025	(29,520)
2026	(34,472)
	$ (137,735)

NOTE 9 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.0% Net Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years mortality improvements using 90% Scale MP 2016 published by the Society of Actuaries. For more details on this table, please refer to the 2017 experience study.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for public agency plans (including PERF C), CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund, including PERF C. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB No. 68 section.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to completed in February 2022. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB No. 67 and No. 68 calculations through at least the 2021-22 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits were calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

NOTE 9 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Discount Rate (Continued)

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

Asset Class	New Strategic Allocation	Real Return Years 1-10(a)	Real Return Years 11+(b)
Global Equity	50.0%	4.80%	5.98%
Global Fixed Income	28.0%	1.00%	2.62%
Inflation Sensitive	0.0%	0.77%	1.81%
Private Equity	8.0%	6.30%	7.23%
Real Estate	13.0%	3.75%	4.93%
Liquidity	1.0%	0.00%	-0.92%
Total	100%		

(a) An expected inflation of 2.00% was used for this period.
(b) An expected inflation of 2.92% was used for this period.

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

The following represents the System's proportionate share of the net pension liability calculated using the discount rate of 7.15 percent, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15 percent) or 1- percentage point higher (8.15 percent) than the current rate:

	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
System's proportionate share of the net pension plan liability	$ 684,842	$ 142,892	$ (305,130)

Pension Plan Fiduciary Net Position

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

C. Payable to Pension Plan

At June 30, 2022, the System had no amount outstanding for contributions to the pension plan required for the fiscal year ended June 30, 2022.

NOTE 10 - CONTINGENCIES

According to the System's Management, no contingent liabilities are outstanding and no lawsuits of any real financial consequence are pending.

The System has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, it is believed that any required reimbursements would not be material.

NOTE 11 – NET POSITION

The government-wide activity fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

Net Investment Capital Assets – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents net position of the System, not restricted for any project or other purpose.

NOTE 12 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Excess of expenditures over appropriations, are as follows:

	Excess Expenditures
Major Fund:	
Salaries and employee benefits	$ 9,866
Services and supplies	209,810
Capital outlay	174,970

NOTE 13 – RISK MANAGEMENT

The System is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The System maintains workers' compensation coverage through the State Compensation Insurance Fund. The System maintains additional insurance coverage through the California Joint Powers Insurance Authority as described below.

A. Description of Self-Insurance Pool Pursuant to Joint Powers Agreement

The Black Gold Cooperative Library System is a member of the California Joint Powers Insurance Authority (Authority). The Authority is composed of 124 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage. The California JPIA began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a nine-member Executive Committee.

B. Primary Self-Insurance Programs of the Authority

Each member pays an annual contribution at the beginning of the coverage period. A retrospective adjustment is then conducted annually thereafter, for coverage years 2012-13 and prior. Coverage years 2013-14 and forward are not subject to routine annual retrospective adjustment. The total funding requirement for self-insurance programs is estimated using actuarial models and pre-funded through the annual contribution. Costs are allocated to individual agencies based on payroll and claims history, relative to other members of the risk-sharing pool.

NOTE 13 – RISK MANAGEMENT (Continued)

B. Primary Self-Insurance Program (Continued)

Primary Liability Program

Claims are pooled separately between police and general government exposures. (1) The payroll of each member is valuated relative to the payroll of other members. A variable credibility factor is determined for each member, which establishes the weight applied to payroll and the weight applied to losses within the formula. (2) The first layer of losses includes incurred costs up to $100,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the first layer. (3) The second layer of losses includes incurred costs from $100,000 to $500,000 for each occurrence and is evaluated as a percentage of the pool's total incurred costs within the second layer. (4) Incurred costs from $500,000 to $50 million, are distributed based on the outcome of cost allocation within the first and second loss layers.

The overall coverage limit for each member, including all layers of coverage, is $50 million per occurrence. Subsidence losses have a sub-limit of $50 million per occurrence limit. The coverage structure is composed of a combination of pooled self-insurance, reinsurance, and excess insurance. Additional information concerning the coverage structure is available on the Authority's website: https://cjpia.org/coverage/risk-sharing-pools/.

Property Insurance

The Black Gold Cooperative Library System participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. Black Gold Cooperative Library System property is currently insured according to a schedule of covered property submitted by the Black Gold Cooperative Library System to the Authority. Black Gold Cooperative Library System property currently has all-risk property insurance protection in the amount of $183,150. There is a $10,000 deductible per occurrence except for non-emergency vehicle insurance which has a $2,500 deductible.

Crime Insurance

The Black Gold Cooperative Library System purchases crime insurance coverage in the amount of $1,000,000 with a $2,500 deductible. The fidelity coverage is provided through the Authority.

C. Adequacy of Protection

During the past three fiscal years, none of the above programs of protection experienced settlements or judgments that exceeded pooled or insured coverage. There were also no significant reductions in pooled or insured liability coverage in 2021-22.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

BLACK GOLD COOPERATIVE LIBRARY SYSTEM
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues:				
ATS member contributions	$ 760,908	$ 760,908	$ 939,796	$ 178,888
Online reference services	499,472	574,857	231,650	(343,207)
CLSA	80,985	80,985	156,370	75,385
eRate and CTF discounts	307,700	307,700	372,013	64,313
Grant income	37,000	37,000	285,408	248,408
Interest earnings	8,000	8,000	2,593	(5,407)
Other			16,343	16,343
Total revenues	1,694,065	1,769,450	2,004,173	234,723
Expenditures:				
Current:				
Salaries and employee benefits	575,035	575,035	584,901	(9,866)
Services and supplies	1,083,165	1,158,550	1,368,360	(209,810)
Capital outlay			174,970	(174,970)
Debt Service:				
Principal on lease	32,958	32,958	22,753	10,205
Interest on lease	2,907	2,907	2,007	900
Total expenditures	1,694,065	1,769,450	2,152,991	(383,541)
Excess (deficiency) of revenues over expenditures			(148,818)	(148,818)
Other Financing Sources:				
Lease liability issued			126,203	126,203
Total other financing sources			126,203	126,203
Net change in fund balance			(22,615)	22,615
Fund balance - beginning of fiscal year	1,488,150	1,488,150	1,488,150	
Fund balance - end of fiscal year	$ 1,488,150	$ 1,488,150	$ 1,465,535	$ 22,615

BLACK GOLD COOPERATIVE LIBRARY SYSTEM
SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND RELATED RATIOS
Last 10 Years*
June 30, 2022

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 14,247	$ 21,025	$ 18,420	$ 19,792	$ 19,216
Interest on the total OPEB liability	9,666	10,992	12,236	10,032	9,482
Actual and expected experience difference	19,457		(28,422)		
Changes in assumptions	54,073	32,793	21,672	(18,836)	
Changes in benefit terms					
Benefit payments	(14,765)	(14,593)	(12,085)	(11,713)	(10,575)
Net change in total OPEB Liability	82,678	50,217	11,821	(725)	18,123
Total OPEB liability- beginning	387,623	337,406	325,585	326,310	308,187
Total OPEB liability- ending	$ 470,301	$ 387,623	$ 337,406	$ 325,585	$ 326,310
Covered payroll	$ 394,092	$ 381,499	$ 454,090	$ 421,635	$ 448,682
Total OPEB liability as a percentage of covered payroll	119.34%	101.61%	74.30%	77.22%	72.73%

*- Fiscal year 2018 was the 1st year of implementation, therefore only five years are shown.

BLACK GOLD COOPERATIVE LIBRARY SYSTEM

SCHEDULE OF OPEB CONTRIBUTIONS

Last 10 Years*

June 30, 2022

The System's contributions for the fiscal year ended June 30, 2022 was $12,436. The System did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2022, therefore the System does not need to comply with GASB 75's Required Supplementary Information requirements.

The System's contributions for the fiscal year ended June 30, 2021 was $11,872. The System did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2021, therefore the System does not need to comply with GASB 75's Required Supplementary Information requirements.

The System's contributions for the fiscal year ended June 30, 2020 was $11,055. The System did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2020, therefore the System does not need to comply with GASB 75's Required Supplementary Information requirements.

The System's contributions for the fiscal year ended June 30, 2019 was $9,702. The System did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2019, therefore the System does not need to comply with GASB 75's Required Supplementary Information requirements.

The System's contributions for the fiscal year ended June 30, 2018 was $0. The System did not have an actuary calculate the Actuarially Determined Contribution for the fiscal year ended June 30, 2018, therefore the System does not need to comply with GASB 75's Required Supplementary Information requirements.

*- Fiscal year 2018 was the 1st year of implementation, therefore only five years are shown.

BLACK GOLD COOPERATIVE LIBRARY SYSTEM
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 10 Years*
As of June 30, 2022

The following table provides required supplementary information regarding the System's Pension Plan.

	2022	2021	2020	2019
Proportion of the net pension liability	0.00264%	0.00576%	0.00543%	0.00490%
Proportionate share of the net pension liability	$ 142,892	$ 627,022	$ 556,131	$ 471,869
Covered payroll	$ 394,700	$ 366,268	$ 435,025	$ 424,955
Proportionate share of the net pension liability as percentage of covered payroll	36.2%	171.2%	127.8%	111.0%
Plan's total pension liability	$ 46,174,942,264	$ 43,702,930,887	$ 41,426,453,489	$ 38,944,855,364
Plan's fiduciary net position	$ 40,766,653,876	$ 32,822,501,335	$ 31,179,414,067	$ 29,308,589,559
Plan fiduciary net position as a percentage of the total pension liability	88.29%	75.10%	75.26%	75.26%

	2018	2017	2016	2015
Proportion of the net pension liability	0.00826%	0.00802%	0.00729%	0.00794%
Proportionate share of the net pension liability	$ 818,884	$ 693,915	$ 500,491	$ 494,291
Covered payroll	$ 448,682	$ 419,323	$ 406,588	$ 453,404
Proportionate share of the net pension liability as percentage of covered payroll	182.5%	165.5%	123.1%	109.0%
Plan's total pension liability	$ 37,161,348,332	$ 33,358,627,624	$ 31,771,217,402	$ 30,829,966,631
Plan's fiduciary net position	$ 27,244,095,376	$ 24,705,532,291	$ 24,907,305,871	$ 24,607,502,515
Plan fiduciary net position as a percentage of the total pension liability	73.31%	74.06%	78.40%	79.82%

Notes to Schedule:

Changes in assumptions
In 2018, inflation was changed from 2.75 percent to 2.50 percent and individual salary increases and overall payroll growth was reduced from 3.00 percent to 2.75 percent.

In 2017, as part of the Asset Liability Management review cycle, the discount rate was changed from 7.65 percent to 7.15 percent.

In 2016, the discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected ages of general employees.

*- Fiscal year 2015 was the 1st year of implementation, thus only eight years are shown.

BLACK GOLD COOPERATIVE LIBRARY SYSTEM
SCHEDULE OF PENSION CONTRIBUTIONS
Last 10 Years*
As of June 30, 2022

The following table provides required supplementary information regarding the System's Pension Plan.

	2022	2021	2020	2019
Contractually required contribution (actuarially determined)	$ 90,850	$ 83,633	$ 73,202	$ 73,596
Contribution in relation to the actuarially determined contributions	90,850	83,633	73,202	73,596
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 442,243	$ 394,700	$ 366,268	$ 435,025
Contributions as a percentage of covered payroll	20.54%	21.19%	19.99%	16.92%

	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	$ 95,204	$ 61,179	$ 78,977	$ 46,450
Contribution in relation to the actuarially determined contributions	406,347	61,179	78,977	46,450
Contribution deficiency (excess)	$ (311,143)	$ -	$ -	$ -
Covered payroll	$ 424,955	$ 448,682	$ 419,323	$ 406,588
Contributions as a percentage of covered payroll	95.62%	13.64%	18.83%	11.42%

Notes to Schedule:

Valuation Date:	6/30/2014
Actuarial cost method	Entry Age Normal
Asset valuation method	5-year smoothed market
Amortization method	The unfunded actuarial accrued liability is amortized over an open 17 year period as a level percentage of payroll.
Discount rate	7.50%
Amortization growth rate	3.75%
Price inflation	3.25%
Salary increases	3.75% plus merit component based on employee classification and years of service
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with a 2 year setback for males and a 4 year setback for females.

Valuation Date:	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Discount Rate:	7.000%	7.250%	7.375%	7.650%
Inflation:	2.500%	2.625%		

*- Fiscal year 2015 was the 1st year of implementation, thus only eight years are shown.