

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2025



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**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
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YEAR ENDED JUNE 30, 2025**

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INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees
Placentia Library District of Orange County
Placentia, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Placentia Library District of Orange County (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District'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 the major fund of the District as of June 30, 2025, and the respective changes in financial position for the 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 (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Placentia Library District of Orange County's ability to continue as a going concern for twelve months beyond the financial statement date, including any known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' 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 GAAS 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 GAAS 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 District'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 District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the general fund budgetary comparison schedule, the schedule of changes in the net OPEB liability and related ratios and the schedule of contributions to OPEB plan 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 GAAS, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2026, on our consideration of the District'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 solely 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 effectiveness of the District's 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 District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Irvine, California
May 5, 2026

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

As management of the Placentia Library District of Orange County (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements, which can be found on pages 11 -16 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$8,222,652 (net position). Of this amount, \$2,858,948 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position decreased by \$16,763.
- As of the close of the current year, the District's general fund reported ending fund balance of \$4,195,120, a decrease of \$366,672 in comparison with the prior year. Approximately 82 percent of this total amount, \$3,424,039, is available for spending at the government's discretion (unassigned fund balance).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The *statement of net position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

The *statement of activities* presents information showing how the government's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental fund. A *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 year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund as required supplementary information to demonstrate compliance with this budget.

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.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$8,222,652 at June 30, 2025.

Approximately 56 percent of the District's net position reflects its net investment in capital assets (e.g., land, buildings, furniture and equipment, and subscriptions), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Statements of Net Position – Governmental Activities

	<u>2024-2025</u>	<u>2023-2024</u>	<u>Amount Change</u>	<u>Percentage Change</u>
Assets:				
Current and Other Assets	\$ 4,568,534	\$ 4,851,448	\$ (282,914)	(5.83)%
Capital Assets	<u>5,700,250</u>	<u>4,865,160</u>	<u>835,090</u>	17.16
Total Assets	<u>10,268,784</u>	<u>9,716,608</u>	<u>552,176</u>	5.68
Deferred Outflows of Resources:				
OPEB Related	221	-	221	
Liabilities:				
Noncurrent Liabilities	1,656,965	1,165,054	491,911	42.22
Other Liabilities	<u>389,416</u>	<u>306,302</u>	<u>83,114</u>	27.13
Total Liabilities	<u>2,046,381</u>	<u>1,471,356</u>	<u>575,025</u>	39.08
Deferred Inflows of Resources:				
OPEB Related	<u>27,709</u>	<u>5,837</u>	<u>21,872</u>	
Net Position:				
Net Investments in Capital Assets	4,632,011	3,835,399	796,612	20.77
Restricted	731,693	1,458,402	(726,709)	(49.83)
Unrestricted	<u>2,831,211</u>	<u>2,945,614</u>	<u>(114,403)</u>	(3.88)
Total Net Position	<u>\$ 8,194,915</u>	<u>\$ 8,239,415</u>	<u>\$ (44,500)</u>	(0.54)

The key elements for the change in the District's assets and liabilities are as follows:

- Capital assets increased 17.16 percent as a result of costs incurred for three capital projects: construction of a loading dock ramp expansion, an outdoor library space, and a bookmobile.
- Noncurrent liabilities increased by 39.84 percent as a result of the increase in the net OPEB liability due to changes made to the plan benefits.
- Other liabilities increased 27.13 percent as a result of an increase in accounts payable related to capital projects.
- Net investments in capital assets increased 20.77 percent as a result of the three aforementioned capital projects.
- A decrease of 49.83 percent in restricted net position is due to the use of restricted grant funds and restricted impact fees on the three aforementioned capital projects.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Statement of Activities – Governmental Activities

	<u>2024-2025</u>	<u>2023-2024</u>	<u>Amount Change</u>	<u>Percentage Change</u>
Revenues:				
Program Revenues:				
Charges for Services	\$ 321,589	\$ 253,693	\$ 67,896	26.76 %
Operating Grants and Contributions	199,975	249,500	(49,525)	(19.85)
Capital Grants and Contributions	219,545	102,926	116,619	113.30
Total Program Revenues	<u>741,109</u>	<u>606,119</u>	<u>134,990</u>	22.27
General Revenues:				
Property Taxes	3,643,313	3,469,855	173,458	5.00
Unrestricted Investment Earnings and Other	142,870	126,368	16,502	13.06
Total General Revenues	<u>3,786,183</u>	<u>3,596,223</u>	<u>189,960</u>	5.28
Total Revenues	4,527,292	4,202,342	324,950	7.73
Expenses:				
General Government	4,537,169	3,683,352	853,817	23.18
Interest	34,623	36,130	(1,507)	(4.17)
Total Expenses	<u>4,571,792</u>	<u>3,719,482</u>	<u>852,310</u>	22.91
Change in Net Position	(44,500)	482,860	(527,360)	(109.22)
Net Position - Beginning of Year	<u>8,239,415</u>	<u>7,756,555</u>	<u>482,860</u>	6.23
Net Position - End of Year	<u>\$ 8,194,915</u>	<u>\$ 8,239,415</u>	<u>\$ (44,500)</u>	(0.54)

The government's net position decreased by \$16,763. The key elements of the current year are as follows:

- Charges for services increased by 26.76% due to increased passport/passport photo services.
- Operating grants and contributions decreased by 19.85 percent due to a decrease in grant funding recognized in the current year.
- Capital grants and contributions increased by 113.30 percent due to the increase in impact fees collected in the current year.
- General government expenses increased by 22.43% primarily due to \$482,791 of OPEB expense and a \$loss on disposal recognized as a result of the change made to the plan benefits.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Financial Analysis of the District's Governmental Fund

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

As of the year ended June 30, 2025, the District's general fund reported ending fund balance of \$4,195,120, a decrease of \$366,672 in comparison with the prior year. Approximately 82 percent of the total fund balance, \$3,424,039, constitutes *unassigned fund balance*, which is available for spending at the District's discretion.

The general fund is the chief operating fund of the District. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and the total fund balance to total fund expenditures. Unassigned fund balance represents approximately 70 percent of total fund expenditures, and total fund balance represents approximately 85.7 percent of that same amount.

Approximately 1.1 percent of the District's general fund balance is subject to external restrictions on how it may be used.

General Fund Budgetary Highlights

Significant variances between the current year final budget and actual results were as follows:

- Impact fees collected were \$741,090 lower than budget since budget amount represented planned spending on the Outdoor Library Space capital project.
- Investment income exceeded budget by \$108,234 due to improved investment market conditions and higher than expected interest earnings rates.
- Maintenance expenditures were \$157,455 lower than budget due to less activity in maintenance projects and improvements.
- Capital outlay expenditures were \$328,916 less than the budget due to project delays involving the Outdoor Library Space, Loading Dock Ramp Expansion, and Bookmobile which are expected to be completed in fiscal year 2025-2026.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2025, the District investments in capital assets totaled \$4,632,011. The District added costs associated with several improvement projects during the current year. For additional information, see Note 3 to the financial statements.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Long-Term Liabilities. At the end of the current year, the District had total noncurrent liabilities outstanding of \$1,629,228 which consists of District's obligation to its employees for compensated absences and OPEB benefits, and the I-bank loan. For additional information, see Notes 4 and 6 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The assumption used in the Fiscal Year 2025-26 Budget was that the property valuation growth would increase by 1.0 percent.
- The District expects to receive less grant revenue from the California State Library due to their budget reversions and reductions as part of the State of California's solution to address the budget deficit in the fiscal year 2025-2026 state budget.
- The cost of health benefits for employees is estimated to increase by 13.83 percent.
- The District may increase 2.5 percent in salaries due to cost of living adjustment.
- The District is expected to continue spending significant amounts of library impact fees and grant funds on services and materials for capital projects related to the outdoor library space.
- The District is expected to spend all significant grant funds for the District's bookmobile program as vehicle delivery is expected in fiscal year 2025-2026

All of these factors were considered in preparing the District's budget for Fiscal Year 2025-2026.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Library Director's Office, Placentia Library District of Orange County, 411 East Chapman Avenue, Placentia, CA 92870 6198.

FINANCIAL STATEMENTS

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2025**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 4,466,083
Taxes Receivable	63,063
Prepaid Items	39,388
Capital Assets, Nondepreciable/Nonamortizable	1,043,681
Capital Assets, Net of Accumulated Depreciation/Amortization	4,656,569
Total Assets	10,268,784
DEFERRED OUTFLOWS OF RESOURCES	
OPEB Related	221
LIABILITIES	
Accounts Payable	196,008
Accrued Salaries	102,156
Interest Payable	16,002
Unearned Revenue	75,250
Noncurrent Liabilities:	
Due Within One Year	160,580
Due in More Than One Year	998,500
Net OPEB Liability	497,885
Total Liabilities	2,046,381
DEFERRED INFLOWS OF RESOURCES	
OPEB Related	27,709
NET POSITION	
Net Investment in Capital Assets	4,632,011
Restricted for:	
Unspent Impact Fees	687,300
Unspent Grants	44,393
Unrestricted	2,831,211
Total Net Position	\$ 8,194,915

See accompanying Notes to Financial Statements.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
GOVERNMENTAL ACTIVITIES					
General Government	\$ 4,537,169	\$ 321,589	\$ 199,975	\$ 219,545	\$ (3,796,060)
Interest on Long-Term Debt	34,623	-	-	-	(34,623)
Total Governmental Activities	<u>\$ 4,571,792</u>	<u>\$ 321,589</u>	<u>\$ 199,975</u>	<u>\$ 219,545</u>	(3,830,683)
GENERAL REVENUE					
Property Tax					3,643,313
Unrestricted Investment Income					<u>142,870</u>
Other					<u>3,786,183</u>
Total General Revenue					<u>3,786,183</u>
CHANGE IN NET POSITION					
					(44,500)
Net Position - Beginning of Year					<u>8,239,415</u>
NET POSITION - END OF YEAR					<u><u>\$ 8,194,915</u></u>

See accompanying Notes to Financial Statements.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2025**

	General Fund
ASSETS	
Cash and Investments	4,466,083
Taxes Receivable	63,063
Prepaid Items	39,388
Total Assets	\$ 4,568,534
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 196,008
Accrued Salaries and Benefits	102,156
Unearned Revenue	75,250
Total Liabilities	373,414
FUND BALANCE	
Nonspendable for:	
Prepaid Items and Deposits	39,388
Restricted for:	
Unspent Impact Fees	687,300
Unspent Grants Funds	44,393
Unassigned	3,424,039
Total Fund Balance	4,195,120
Total Liabilities and Fund Balance	\$ 4,568,534

See accompanying Notes to Financial Statements.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025**

Total Fund Balance - Governmental Fund	\$ 4,195,120
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements	5,700,250
Deferred outflows of resources relating to OPEB are not reported in the governmental funds because they are applicable to future periods	221
Long-term debt and related items that have not been included in the governmental fund activity: Loan Payable	(955,368)
Accrued interest payable for the current portion of interest due on loan payable are not reported in the governmental funds	(16,002)
The net OPEB liability is not due and payable in the current period; therefore, it is not reported in the fund financial statements.	(497,885)
Deferred inflows of resources relating to OPEB are not reported in the governmental funds because they are applicable to future periods	(27,709)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the fund financial statements	(203,712)
Net Position of Governmental Activities as Reported on the Statement of Net Position	\$ 8,194,915

See accompanying Notes to Financial Statements.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2025**

	General Fund
REVENUES	
Property Taxes	\$ 3,643,313
Grants and Other Contributions	199,975
Library Income	321,589
Impact Fees	219,545
Investment Income	142,870
Total Revenues	4,527,292
EXPENDITURES	
Current:	
General Government:	
Salaries and Employee Benefits	2,448,517
Office and Administration	287,263
Books and Library Materials	314,845
Professional Services	371,960
Maintenance	193,229
Library Program	125,921
Capital Outlay	1,071,084
Debt Service:	
Principal Retirement	45,878
Interest and Fiscal Charges	35,267
Total Expenditures	4,893,964
NET CHANGE IN FUND BALANCE	(366,672)
Fund Balance - Beginning of Year	4,561,792
FUND BALANCE - END OF YEAR	\$ 4,195,120

See accompanying Notes to Financial Statements.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN THE FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

Net Change in Fund Balance - Governmental Fund \$ (366,672)

Amounts reported for governmental activities in the statement of activities differ from the amounts reported in the statement of revenues, expenditures, and changes in fund balance because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the excess of capital asset purchases over depreciation expense:

Capital Outlay	\$ 1,062,439	
Loss on Disposal of Capital Assets	(53,160)	
Depreciation and Amortization Expense	<u>(174,189)</u>	835,090

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities and the issuance increases long-term liabilities in the statement of net position:

Repayment of Loan Principal		45,878
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Accrued Interest on Long-Term Liabilities	644	
Compensated Absences	(76,649)	
Changes in OPEB Liability and Related Deferred Outflows/Inflows of Resources	<u>(482,791)</u>	<u>(558,796)</u>

Change in Net Position of Governmental Activities as Reported on the Statement of Activities		<u>\$ (44,500)</u>
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PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Placentia Library District of Orange County (the District) was incorporated in 1919 under the provisions of the California Education Code. The District is governed by a Board of Trustees, which consists of five members who are elected at large.

B. 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 District. Governmental activities, which are normally supported by taxes and intergovernmental revenues are reported in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function is 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 District are to be reported in three categories, if applicable, (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the District's major governmental fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are presented on an economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Accordingly, all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources (current and long-term) are reported. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year in which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all the eligibility requirements imposed by the provider have been met.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

In the government-wide financial statements, net position may be classified in the following components:

- **Net investment in capital assets.** This component consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the capital assets.
- **Restricted net position.** This component is restricted by external creditors, grantors, contributors, laws, or regulations of other governments.
- **Unrestricted net position.** This component is net position that does not meet the definition of “net investment in capital assets” or “restricted net position” as defined above.

In circumstances when an expense is made for a purpose for which amounts are available in multiple net position classifications, generally, restricted net position is depleted before unrestricted net position.

The governmental fund financial statements are presented on a spending or current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, current assets and liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available as net current assets. Measurable means that the amounts can be estimated or otherwise determined. Available means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The District uses an availability period of 60 days. Property taxes, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available when cash is received by the District. 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 District reports the following major governmental fund:

General Fund

The general fund is a government’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund when necessary.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

The general fund reports fund balance in classifications based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. As of June 30, 2025, the fund balance for the general fund is made up of the following classifications:

- **Nonspendable fund balance.** This includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally contractually required to be maintained intact.
- **Restricted fund balance.** This includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- **Unassigned fund balance.** This is the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

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

1. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until that time. The District reports deferred outflows of resources related to its other postemployment benefit plan. See Note 6 for more details.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

1. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources related to its other postemployment benefit plan. See Note 6 for more details.

2. Investments

Investments are stated at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All investments are controlled by an investment policy that is adopted annually by the Board of Trustees within the provisions of the California Government Code. Investment earnings, including changes in the fair value of investments, are recognized as revenue in the operating statement.

3. Property Taxes

Property taxes in California are levied in accordance with Article XIII A of the California State Constitution at 1% of countywide assessed valuations. This levy is allocated pursuant to state law to the appropriate units of local government. Additional levies require two-thirds approval by the voters and are allocated directly to the specific government. Taxes and assessments are recognized as revenue based on amounts reported to the District by the County of Orange (the County). The County acts as a collection agent for the property taxes, which are normally collected twice a year. The District elected to participate in the County's Teeter Plan, whereby the District receives 100% of the tax levy for a fiscal year, net of administrative fees.

The property tax calendar is as follows:

Lien Date	January 1
Levy Date	July 1
Due Dates:	First Installment - November 1 Second Installment - February 1
Delinquent Dates:	First Installment - December 10 Second Installment - April 10

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or
Fund Balance (Continued)**

4. Capital Assets

Capital assets, which include land, buildings and improvements, equipment and furniture, and subscriptions are reported in the government-wide financial statements. Capital assets are defined by the District as individual assets with an initial, individual cost of more than \$5,000. All purchased capital assets are valued at cost where historical cost records are available and at an estimate historical cost where no historical records exist. Donated capital assets are valued at acquisition value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Using the convention of no depreciation expense in the year of acquisition, depreciation is recorded in the government-wide financial statements on a straight-line basis over the useful life of the assets as follows: equipment and furniture - 5 to 10 years and building and improvements - 10 to 50 years. Right-to-use subscription assets are amortized on a straight-line basis over the subscription terms of the agreements which is currently 2 to 3 years.

5. Subscriptions

The District is a lessee for noncancellable subscription-based information technology arrangements (SBITA). The District recognizes a subscription liability and an intangible right-to-use subscription asset (subscription) in the financial statements. At the commencement of a subscription, the District initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

6. Compensated Absences

Compensated absences include accrued vacation and sick leave that are available to employees in future years either in time off or in cash (upon leaving the employment of the District). All compensated absences are accrued when incurred in the government-wide financial statements. A liability for compensated absences is reported in the governmental fund only if it has matured, for example, as a result of employee resignations or retirements.

Full-time, permanent employees are granted vacation benefits, in varying amounts to specified maximums, depending on tenure with the District. Sick leave accrues to full-time, permanent employees to specific maximums. Generally, after one year of service, employees are entitled to a percentage of their sick leave balance and all accrued vacation leave upon termination.

During the current year, the District adopted Governmental Accounting Standards Board (GASB) 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. The Implementation of GASB Statement No. 101 did not have a significant impact on the District's financial statements.

7. Estimates

The preparation of financial statements in accordance 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

8. Postemployment Benefits Other Than Pensions (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 City's OPEB Plan and additions to/deductions from the OPEB Plans' fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the City's OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 CASH AND INVESTMENTS

A. Cash and Investments

Cash and investments consist of the following at June 30, 2025:

Deposits With Financial Institutions	\$ 2,322,869
California Class Investment Pool	2,143,214
Total Cash and Investments	\$ 4,466,083

B. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code. The table also identifies certain provisions of the California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Quality Requirements
United States Government-Sponsored Agency Securities	5 Years	None	None
United States Treasury Bills, Note, and Bonds	5 Years	None	None
California Obligations	5 Years	None	None
Local Agencies' Obligations	5 Years	None	None
Bankers' Acceptance	270 Days	40%	None
Commercial Paper	180 Days	15%	AAA
Certificates of Deposit	1 Year	30%	None
California Local Agency Investment Fund	N/A	None	None
California CLASS	N/A	None	None
Orange County Treasurer's Pool	N/A	None	None

N/A - Not Applicable

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

C. 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. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing over time as necessary to provide the cash flows and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2025.

	Maturity in Years
	Less Than 1 Year
California CLASS	\$ 2,143,214

D. 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. The California CLASS investment Pool has an AAAM by S&P Global Ratings.

E. Concentration of Credit Risk

Concentration of credit is the risk of loss attributed to the magnitude to the District's investment in a single issue. The District's investment policy 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 other than the California CLASS that represent 5% or more of total investments.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

F. 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 District'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 provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units in excess of federal deposit insurance limit 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 the public agencies. California law also allows financial institutions to secure the District's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2025, the District's deposits (bank balances) were insured by the Federal Deposit Insurance Corporation or collateralized as required under California law.

G. Investments in Cooperative Liquid Assets Securities System

The District is a voluntary participant in the California Cooperative Liquid Assets Securities System (California CLASS), a joint exercise of powers entity authorized under Section 6509.7, California Government Code. California CLASS is overseen and governed by a Board of Trustees, which consists of four members who are public agency finance professionals. The fund is audited annually. The fair value of the position in the investment pool is the same as the value of the pool shares.

H. Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices of similar assets in active markets, and Level 3 inputs are significant unobservable inputs. The District's investment in California CLASS is not subject to the fair value hierarchy.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 3 CAPITAL ASSETS

Capital assets consist of the following at June 30, 2025:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 81,498	\$ -	\$ -	\$ 81,498
Construction in Progress	124,271	1,020,822	(182,910)	962,183
Total Capital Assets, Not Being Depreciated	205,769	1,020,822	(182,910)	1,043,681
Capital Assets, Being Depreciated/Amortized:				
Building and Other Improvements	5,845,803	129,750	-	5,975,553
Equipment and Furniture	1,947,442	41,617	-	1,989,059
Subscriptions	26,467	-	(23,045)	3,422
Total Capital Assets, Being Depreciated/Amortized	7,819,712	171,367	(23,045)	7,968,034
Less: Accumulated Depreciation/Amortization for:				
Building and Other Improvements	(2,199,623)	(113,248)	-	(2,312,871)
Equipment and Furniture	(943,695)	(51,667)	-	(995,362)
Subscriptions	(17,003)	(9,274)	23,045	(3,232)
Total Accumulated Depreciation/Amortization	(3,160,321)	(174,189)	23,045	(3,311,465)
Total Capital Assets, Being Depreciated/Amortized, Net	4,659,391	(2,822)	-	4,656,569
Total Capital Assets, Net	<u>\$ 4,865,160</u>	<u>\$ 1,018,000</u>	<u>\$ (182,910)</u>	<u>\$ 5,700,250</u>

Depreciation/amortization expense for depreciable/amortizable capital assets was \$174,189 in 2025.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 4 LONG-TERM LIABILITIES

Long-term liabilities consist of the following at June 30, 2025:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year	Due in More Than One Year
Direct Borrowings:						
Financed Purchase	\$ 993,810	\$ -	\$ (38,442)	\$ 955,368	\$ 39,710	\$ 915,658
Other Long-Term Liabilities:						
Subscriptions Payable	7,436	-	(7,436)	-	-	-
Compensated Absences (1)	127,063	76,649	-	203,712	120,870	82,842
Total	<u>\$ 1,128,309</u>	<u>\$ 76,649</u>	<u>\$ (45,878)</u>	<u>\$ 1,159,080</u>	<u>\$ 160,580</u>	<u>\$ 998,500</u>

(1) Additions to compensated absences are presented net of deletions, as allowed by GASB Statement No. 101, Compensated Absences.

Financed Purchase

On May 1, 2018, the District entered into a twenty-year financing lease with California Infrastructure and Economic Development Bank (the lessor) to fund \$1,200,000 of energy-efficient improvements to the District's facilities. In the event of default, the lessor may terminate the lease and retake possession of the financed assets. The financed purchase accrues interest at rate of 3.3%, payable semi-annually on August 1 and February 1. Principal payments are due annually on August 1. In addition, an annual fee is due with the principal payment equal to 0.3% of the outstanding principal amount. As of June 30, 2025, the outstanding principal amount was \$955,368.

The debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 39,710	\$ 30,871	\$ 70,581
2027	41,021	29,540	70,561
2028	42,374	28,164	70,538
2029	43,773	26,742	70,515
2030	45,217	25,274	70,491
2031 - 2035	249,478	102,592	352,070
2036 - 2040	293,449	57,896	351,345
2041 - 2043	200,346	10,060	210,406
Total	<u>\$ 955,368</u>	<u>\$ 311,139</u>	<u>\$ 1,266,507</u>

Subscriptions Payable

The District has entered into subscription based-information technology arrangements (SBITAs) for various software. The SBITA arrangements expire at various dates through 2025 and provide for renewal options. There are no future subscription payments under existing SBITA agreements.

Compensated Absences

Compensated absences are composed of unpaid vacation and sick leave, which are accrued as earned (see Note 1.D.6).

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 5 DEFINED CONTRIBUTION PLAN

A. Pension Plan Description

The District's employees participate in a defined contribution pension plan administered by Public Agency Retirement Services (PARS). All employees with six months of service and who are at least 21 years of age are eligible to participate in the plan. The plan was established by resolution of the Board of Trustees and may be amended by approval of the Board of Trustees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The contributions and any interest earned vest in increasing amounts per year of service as follows:

Years of Service	Vested
1	20 %
2	40
3	60
4	80
5	100

Effective September 1, 2012, the plan was amended as follows:

- 1) The amended plan stated that an employee shall participate in the plan under Tier I or Tier II if an employee meets the following requirements:

Tier I

- Is a full-time or part-time employee on or after July 1, 2008;
- Has completed at least six months of service; and
- Is at least 21 years of age.

Tier II

- Is the Library Director on or after July 1, 2012;
- Has completed at least six months of service; and
- Is at least 21 years of age.

- 2) The District's contribution was amended as follows:

Tier I

It is the intention of the District to contribute 4% of an eligible employee's compensation. The contribution is subject to change at the discretion of the District.

Tier II

It is the intention of the District to contribute 6% of an eligible employee's compensation. The contribution is subject to change at the discretion of the District.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 5 DEFINED CONTRIBUTION PLAN (CONTINUED)

A. Pension Plan Description (Continued)

3) The vesting period was amended as follows:

Tier I

A participant eligible under Tier I shall be 100% vested upon attaining the age of 65 or upon completion of five years of service with the District. If neither the age nor years of service requirement has been met at termination of employment, vesting shall be determined upon the following, which is based on the years of service calculated as of the employee's last day of employment with the District as follows:

Years of Service	Vested
1	20 %
2	40
3	60
4	80
5	100

Tier II

A participant eligible under Tier II shall be 100% vested upon attaining the age of 65 or upon completion of five years of service with the District. If neither the age nor years of service requirement has been met at termination of employment, vesting shall be determined upon the following, which is based on the years of service calculated as of the employee's last day of employment with the District as follows:

Years of Service	Vested
1	20 %
2	40
3	60
4	80
5	100

For the year ended June 30, 2025, the District contributed \$70,973 (pension expense). At June 30, 2025, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2025.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 6 DEFINED BENEFIT OPEB PLAN

A. Other Postemployment Benefit Plan Description

The District's defined benefit OPEB plan provides OPEB for the District's library director under special contract. The Director may retire and receive District-paid healthcare coverage for their lifetime. The Director's spouse is also covered for their lifetime. The Director's eligible dependents are covered to age 26. To assist in the funding of this Plan, a Section 115 trust has been established and is administered by PARS. The plan was established by resolution of the Board of Trustees and may be amended by approval of the Board of Trustees. The plan does not call for any required contributions. The District did not make any voluntary contributions to the Section 115 trust during the current year.

B. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2025. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

The discount rate used to measure the total OPEB liability is based on the assumption that fiduciary net position was projected to be available to make all projected OPEB payments. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The long-term expected rate of return was set at 4.04% equal to the 20-year US Treasury bond yield.

C. Actuarial Assumptions

The total OPEB liability in the June 30, 2025, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	June 30, 2025
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Inflation	2.30%
Salary Increase	2.80%
Discount Rate	3.97%
Investment Rate of Return	6.00%, net of OPEB plan investment expense 5.50% - 2024 through 2034; 4.50% - 2035 through 2074; and 4.00 percent for 2075 and later years
Health Care Cost Trend Rate	Most recent experience study for CalPERS members
Mortality rates	

The actuarial assumptions used in the June 30, 2025 valuation were based on the results of the most recent applicable experience study and a review of plan experience during the period June 30, 2023 to June 30, 2025.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 6 DEFINED BENEFIT OPEB PLAN (CONTINUED)

D. Discount Rate

GASB 75 requires the use of a discount rate that considers the availability of the OPEB plan's fiduciary net position associated with the OPEB of current active and inactive employees and the investment horizon of those resources.

OPEB plans with irrevocable trust accounts can utilize a discount rate equal to the long-term expected rate of return to the extent that the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the OPEB plan assets are expected to be invested using a strategy to achieve that return.

To determine if the OPEB plan assets are sufficient, a calculation of the projected fiduciary net position and the amount of projected benefit payments is compared in each period. When OPEB plan assets are determined to not be sufficient, a blended rate is calculated.

For OPEB plans that do not have irrevocable trust accounts, GASB 75 requires a discount rate equal to the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

The District has an irrevocable trust account for prefunding OPEB liabilities. Plan assets are not expected to be sufficient. The blended discount rate used to measure the total OPEB liability is 3.97%, the Bond Buyer 20 – Bond GO Index.

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 OPEB plan 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. The target allocation and best estimates of real rates of return for each major asset class, based on published capital market assumptions, are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Real Rate of Return</u>
Broad U.S. Equity	60.00%	5.10%
U.S. Fixed	35.00%	2.40%
Cash Equivalents	5.00%	0.60%
Total	<u>100.00%</u>	

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 6 DEFINED BENEFIT OPEB PLAN (CONTINUED)

E. Changes in the Net OPEB Liability

The changes in the net OPEB Liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balance at June 30, 2024 (June 30, 2023 Measurement Date)	\$ 49,328	\$ 12,583	\$ 36,745
Changes in the Year:			
Service Cost	1,745	-	1,745
Interest on the Total OPEB Liability	2,063	-	2,063
Changes in Benefit Terms	486,567	-	486,567
Differences Between Expected and Actual Experience	(27,892)	-	(27,892)
Changes in Assumptions and Other Inputs	278	-	278
Contribution - Employer	-	-	-
Net Investment Income	-	1,697	(1,697)
Benefit Payments	-	-	-
Administrative Expenses	-	(76)	76
Net Changes	<u>462,761</u>	<u>1,621</u>	<u>461,140</u>
Balance at June 30, 2025 (June 30, 2024 Measurement Date)	<u>\$ 512,089</u>	<u>\$ 14,204</u>	<u>\$ 497,885</u>

Changes of Assumptions

The discount rate changed from 4.04% to 3.97%.

Change of Benefit Terms

The benefit terms were expanded as a result of a revised library director contract that provides the library director and the library director's spouse with retiree medical insurance coverage for life and the library director's children with coverage until they turn age 26.

Sensitivity of the Net OPEB liability to Changes in the Discount Rate

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

	1% Decrease 2.97%	Discount Rate 3.97%	1% Increase 4.97%
Net OPEB Liability	<u>\$ 576,508</u>	<u>\$ 497,885</u>	<u>\$ 433,019</u>

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 6 DEFINED BENEFIT OPEB PLAN (CONTINUED)

E. Changes in the Net OPEB Liability (Continued)

Sensitivity of the Net OPEB liability to Changes in the Healthcare Cost Trend Rates

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

	1% Decrease	Discount Rate	1% Increase
	(4.50% current, 3.00% ultimate, 3.00% Medicare)	(5.50% current, 4.00% ultimate, 4.00% Medicare)	(6.50% current, 5.00% ultimate, 5.00% Medicare)
Net OPEB Liability	<u>\$ 424,792</u>	<u>\$ 497,885</u>	<u>\$ 586,865</u>

F. OPEB Plan Experience

For the measurement period July 1, 2023 to June 30, 2024, there were no benefit payments made to participants or contributions made to the OPEB plan.

Investment Rate of Return

The District's policy regarding the allocation of the plan's invested assets is established and may be amended by District management. The primary objective is to maximize total Plan return, subject to the risk and quality constraints set forth in the investment guidelines. The investment objective the District has selected is the Balanced – Strategic Blend with PARS.

For the year ended on the measurement date, the annual money-weighted rate of return on investments, net of investment expense, was 13.52 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

G. Annual OPEB Expense

For the current year, the District recognized a net OPEB expense of \$482,791.

At June 30, 2025, the District reported deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ -	\$ (22,199)
Changes of Assumptions	\$ 221	\$ (4,106)
Net Differences Between Projected and Actual Earnings on Plan Investments	-	(1,404)
Total	<u>\$ 221</u>	<u>\$ (27,709)</u>

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 6 DEFINED BENEFIT OPEB PLAN (CONTINUED)

G. Annual OPEB Expense (Continued)

Amounts reported as deferred inflows of resources related to OPEB will be amortized over the remaining service life of the plan participant and recognized as OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ (1,019)
2026	(1,019)
2027	(1,019)
2028	(1,020)
2029	(782)
Thereafter	(978)
Total	<u>\$ (5,837)</u>

NOTE 7 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, and natural disasters. The District participates in an insurance pool through the Special District Risk Management Authority (SDRMA). SDRMA is a nonprofit public agency formed under California Government Code Section 6500 et seq. SDRMA is governed by a board composed of members from participating agencies. The mission of SDRMA is to provide renewable, efficiently priced risk financing and risk management services through a financially sound pool. The District pays an annual premium for commercial insurance covering general liability, property, automobile, personal liability for board members, employment practices, workers' compensation, and various other claims. Accordingly, the District retains no risk of loss. Separate financial statements of SDRMA may be obtained at Special District Risk Management Authority, 1112 I Street, Suite 300, Sacramento, CA 95814.

At June 30, 2025, the District's insurance coverages were as follows:

Property Loss

Buildings and business personal property insured for up to \$1,000,000,000 with deductibles ranging from \$1,000 to \$500,000 per occurrence limited to insurable value depending on the type of loss.

General Liability

Insured for up to \$5,000,000 per occurrence and a \$500 deductible per occurrence.

Employee Benefits

Insured for up to \$5,000,000 per occurrence with no deductible.

Employee/Public Officials Dishonesty

Insured for up to \$1,000,000 per occurrence with \$10,000 deductible.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 7 RISK MANAGEMENT (CONTINUED)

Auto

Insured for up to \$5,000,000 per occurrence with \$1,000 deductible per occurrence.

Personal Liability Coverage for Board Member

Limit is \$500,000 per occurrence and \$500,000 per general aggregate.

Uninsured/Underinsured Motorists

Insured for up to \$1,000,000 per accident with no deductible.

Public Officials', Employees' Errors, and Employment Practices

Insured for up to \$5,000,000 per occurrence and \$5,000,000 per general aggregate.

Boiler and Machinery

Insured for up to \$100,000,000 per occurrence with \$1,000 deductible per occurrence.

Workers' Compensation

Insured for up to the statutory limits.

There were no instances in the past three years where a settlement exceeded the District's coverage, and no reduction in insurance coverage has occurred.

NOTE 8 RELATIONSHIP TO PLACENTIA CIVIC CENTER AUTHORITY

The Placentia Civic Center Authority (the Authority), through a joint powers agreement between the City of Placentia (the City) and the District, was formed in May 1972 for the purpose of selling a bond to construct and furnish a civic center complex, consisting of a city hall, a police facility, and a library. The Authority was the owner of the facility and leased the facility back to the City and the District until the related bonds were fully paid in 2006. After full payment of the bonds, ownership of the civic center complex reverted to the City and the District.

The costs of the civic center complex are shared between the City and the District. The District pays 50% and 35% of landscape and outside maintenance, and utilities, respectively. During fiscal year 2025, the District paid \$21,157 and \$0 for landscape and outside maintenance, and utilities, respectively.

PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 COMMITMENTS AND CONTINGENCIES

Litigation

There are potential lawsuits in which the District may be involved. The District's management is not aware of any such litigation that would materially affect the operations or financial condition of the District.

Grants

Amounts received or receivable from granting agencies are subject to audit and adjustments by grantor agencies. While no matters of non-compliance were disclosed by the audit of the financial statements, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have material adverse effect on the financial position of the District.

REQUIRED SUPPLEMENTARY INFORMATION

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2025**

	Budget		Actual	Variance
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 3,549,621	\$ 3,549,621	\$ 3,643,313	\$ 93,692
Grants and Other Contributions	186,500	186,500	199,975	13,475
Library Income	260,787	260,787	321,589	60,802
Impact Fees	960,635	960,635	219,545	(741,090)
Investment Income	34,636	34,636	142,870	108,234
Total Revenues	<u>4,992,179</u>	<u>4,992,179</u>	<u>4,527,292</u>	<u>(464,887)</u>
EXPENDITURES				
Current:				
General Government:				
Salaries and Employee Benefits	2,428,999	2,428,999	2,448,517	(19,518)
Office and Administration	307,211	307,211	287,263	19,948
Books and Library Materials	312,440	312,440	314,845	(2,405)
Professional and Special Services	360,254	360,254	371,960	(11,706)
Maintenance	350,684	350,684	193,229	157,455
Library Program	169,285	169,285	125,921	43,364
Capital Outlay	1,400,000	1,400,000	1,071,084	328,916
Debt Service:				
Principal Retirement	45,878	45,878	45,878	-
Interest and Fiscal Charges	35,526	35,526	35,267	259
Total Expenditures	<u>5,410,277</u>	<u>5,410,277</u>	<u>4,893,964</u>	<u>516,313</u>
NET CHANGE IN FUND BALANCE	(418,098)	(418,098)	(366,672)	51,426
Fund Balance - Beginning of Year	<u>4,561,792</u>	<u>4,561,792</u>	<u>4,561,792</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 4,143,694</u></u>	<u><u>\$ 4,143,694</u></u>	<u><u>\$ 4,195,120</u></u>	<u><u>\$ 51,426</u></u>

See accompanying Note to Required Supplementary Information.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025**

NOTE 1 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

General Budget Policies

The Executive Director of the District submits a proposed budget to the Board of Trustees every two years. The Board of Trustees and the County approve the budget. The bi-annual budget is adopted by resolution of the Board of Trustees. Revisions or transfers that alter the total appropriations must be approved by the Board of Trustees. Supplemental appropriations may be adopted by the Board of Trustees during the year.

A budget is adopted biannually on a basis consistent with accounting principles generally accepted in the United States of America and is used as a management control device. The District maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is at the fund level.

Continuing Appropriations

Unexpended annual appropriations lapse at the end of the fiscal year; encumbered appropriations are re budgeted in the next year.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS***

Fiscal Year-End	<u>6/30/2025</u>	<u>6/30/2024</u>	<u>6/30/2023</u>
Measurement Date	<u>6/30/2024</u>	<u>6/30/2023</u>	<u>6/30/2022</u>
Discount Rate	3.97%	4.04%	3.48%
Total OPEB Liability:			
Service Cost	\$ 1,745	\$ 6,925	\$ 6,925
Interest on Total OPEB Liability	2,063	1,637	997
Changes of Benefit Terms	486,567	-	-
Difference Between Expected and Actual Experience	(27,892)	(5,670)	(9,176)
Changes of Assumptions	278	-	-
Benefit Payments	-	-	-
Net Change in Total OPEB Liability	<u>462,761</u>	<u>2,892</u>	<u>(1,254)</u>
Total OPEB Liability - Beginning of Year	<u>49,328</u>	<u>46,436</u>	<u>47,690</u>
Total OPEB Liability - End of Year (a)	512,089	49,328	46,436
Plan Fiduciary Net Position:			
Contributions - Employer	-	11,250	-
Net Investment Income (Loss)	1,697	1,381	-
Administrative Expenses	(76)	(48)	-
Benefit Payments	-	-	-
Net Change in Plan Fiduciary Net Position	<u>1,621</u>	<u>12,583</u>	<u>-</u>
Plan Fiduciary Net Position - Beginning of Year	<u>12,583</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - End of Year (b)	<u>14,204</u>	<u>12,583</u>	<u>-</u>
Net OPEB Liability - Ending (a)-(b)	<u>\$ 497,885</u>	<u>\$ 36,745</u>	<u>\$ 46,436</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.77%	25.51%	0.00%
Covered - Employee Payroll	\$ 195,884	\$ 200,484	\$ 192,795
Net OPEB Liability as Percentage of Covered-Employee Payroll	254.17%	18.33%	24.09%

Notes to Schedule:

Benefit Changes:

Measurement Date 6/30/24 - revised Director contract expanding OPEB benefits

Changes in Assumptions:

Other than the changes in the discount rate, there were no other changes in assumptions

* Fiscal year 2023 was the first year of presentation; therefore, only three years are shown. Additional years' information will be displayed as it becomes available.

**PLACENTIA LIBRARY DISTRICT OF ORANGE COUNTY
SCHEDULE OF CONTRIBUTIONS TO OPEB PLAN
LAST TEN FISCAL YEARS***

Fiscal Year-End	<u>6/30/2025</u>
Actuarially Determined Contribution	\$ 43,736
Contributions in Relation to the Actuarially Determined Contribution	-
Contribution deficiency (excess)	<u>\$ 43,736</u>
Covered - Employee Payroll	\$ 195,884
Contributions as Percentage of Covered-Employee Payroll	0.00%

Notes to Schedule:

Valuation Date	June 30, 2025
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Amortization Period	30 years
Asset Valuation Method	Market value
Inflation	2.30%
Healthcare Cost Trend Rates	5.50 percent for 2024 through 2034; 4.50 percent for 2035 through 2074; and 4.00 percent for 2075 and later years
Salary Increases	2.80%
Investment Rate of Return	6.00 percent, net of OPEB plan investment expense
Retirement Age	75 percent at age 62; 50 percent at age 63; 50 percent at age 64; and 100 percent at age 65
Mortality	Mortality rates were based on the most recent experience study for CalPERS members

* Fiscal year 2025 was the first year of presentation; therefore, only one year is shown. Additional years' information will be displayed as it becomes available.



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