

BELVEDERE-TIBURON LIBRARY AGENCY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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**BELVEDERE-TIBURON LIBRARY AGENCY
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018**

Table of Contents

	<u>Page</u>
Independent Auditor's Report.....	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet – Governmental Fund	12
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Fund – General Fund	14
Reconciliation of the Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Position	15
Notes to the Basic Financial Statements	17
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	40
Pension Plan:	
Schedule of Proportionate Share of the Net Pension Liability and Related Ratios as of the Measurement Date	41
Schedule of Contributions	42
Other Post-Employment Benefit Plan:	
Schedule of Changes in the Total OPEB Liability and Related Ratios	43

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Belvedere-Tiburon Library Agency
Tiburon, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and General Fund of the Belvedere-Tiburon Library Agency (Agency), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the Table of Contents. The prior year financial statements were audited by other auditors whose opinion dated January 14, 2019 was unmodified.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of the Agency as of June 30, 2018, 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.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which became effective during the year ended June 30, 2018 and required the restatement of net position as discussed in Note 2K and Note 7.

The emphasis of this matter does not constitute a modification of our opinion.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents 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.



Pleasant Hill, California
January 14, 2019

BELVEDERE-TIBURON LIBRARY AGENCY
(A California Joint Exercise of Powers Agency of the
Town of Tiburon and the City of Belvedere and
A California Community Facilities District)

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR
THE FISCAL YEAR ENDED JUNE 30, 2018

FINANCIAL HIGHLIGHTS

From the Statement of Net Position on page 10

The Government-Wide Statement of Net Position shows Agency's assets of \$8,581,845; deferred outflows of \$473,557; liabilities of \$2,356,639; deferred inflows of \$60,898; and a net position of \$6,637,865 as of June 30, 2018.

The Agency's cash, cash equivalents, and investments totaled \$4,047,547 and net capital assets totaled \$4,424,632 at June 30, 2018, representing 47% and 51% of the Agency's total assets, respectively.

The Agency's total liabilities totaled \$2,356,639 as of June 30, 2018 and consist primarily of accounts payable, accrued bonds and capital lease, compensated absences, postemployment benefit obligation and pension liability.

From the Statement of Activities on page 11

Total Agency revenues were \$2,869,435 (general revenues of \$2,572,484 and program revenues of \$296,951) compared with total expenses of \$2,664,283, resulting in an increase in net position of \$205,152 for the fiscal year ended June 30, 2018.

From the Governmental Funds Statements on pages 12 and 14

Fund balances increased by \$398,868. A key factor affecting operating results was the receipt of basic library tax revenue at \$34,907 and ERAF revenue at \$82,550 both greater than budget.

Grants from the Belvedere-Tiburon Library Foundation totaled \$218,558 for the fiscal year. Details of this grant money are found in Note 10 of the financial statements.

Salaries and Benefit costs include Staffing, Retirement and Health Benefits, Payroll Tax Expense, Insurance, and Professional Development Costs. The total Salaries and Benefits cost for fiscal 2018 was \$1,669,978, a 2% increase over the prior year.

Services and Supplies include materials costs, except for book acquisitions totaling \$123,681 which were capitalized for the fiscal year, i.e., included in capital assets on the balance sheet rather than in expenditures. This is typical of book costs from year to year. The capitalized collection is depreciated over 7 years.

The remaining expensed resource collection costs including print subscriptions, digital content, and database costs totaling \$148,059 were included in Services and Supplies. The Services and Supplies category also includes Programs, Facilities, and not-capitalized Technology and Equipment and Maintenance costs. The total Services and Supplies cost for fiscal 2018 was \$644,798, an 8% decrease from the prior year.

Debt service cost for the year on the limited obligation bonds was \$115,550 for principal and interest, plus \$10,588 in fiscal agent fees in accordance with the CFD1995-1 Bond Issue Agreement.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR
THE FISCAL YEAR ENDED JUNE 30, 2018

OVERVIEW OF FINANCIAL
STATEMENTS

The Agency's basic financial statements are comprised of four components: government-wide financial statements, governmental funds financial statements, notes to the financial statements, and supplementary information.

Government-wide financial statements are found on pages 10-11.

The Government-wide financial statements are designed to provide readers with a broad overview of the Agency's finances in a manner similar to a private-sector business. There are two government-wide financial statements – The Statement of Net Position and the Statement of Activities and Changes in Net Position.

The Statement of Net Position presents information on all of the Agency's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the four categories reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Activities presents information showing how the Agency's net position changed during the fiscal year. Accruals of revenue and expenses are taken into account regardless of when cash is received or paid.

As in a private-sector business, capital assets are depreciated, principal payments on debt are not an expense, and compensated absences and other post-employment benefits are expensed in the period earned.

Governmental funds financial statements are found on pages 12 and 14.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities.

Reconciliations between the two types of financial statements are found on pages 13 and 15.

The major differences between fund financial statements and government-wide financial statements are the ways in which capital outlay, debt service, bond issuance costs, compensated absences, and other post-employment benefits are recorded.

Notes to the basic financial statements are found on pages 17-37.

The notes provide additional information and detail that is essential to a full understanding of the data provided in the financial statements.

Required supplementary information is found on pages 40-43.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information: A Budget-to-Actual Results Comparison, CalPERS Pension Plan Information, and CalPERS Post-Employment Health Plan Information.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR
THE FISCAL YEAR ENDED JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

	Governmental Activities		Total Percent
	2018	2017	Change
Cash, cash equivalents and investments	\$ 4,047,547	\$ 3,596,574	12%
Capital assets, net	4,424,632	4,521,100	(3)%
Other assets	109,666	122,124	(11)%
Total assets	8,581,845	8,239,798	4%
Deferred outflows (Pension & OPEB)	473,557	446,108	6%
Total deferred outflows	473,557	446,108	6%
Series 1996 bonds & capital lease	838,580	908,917	(8)%
Net Pension Liability	1,063,688	883,573	20%
Net OPEB Liability	213,395	459,324	15%
Other liabilities	240,976	178,096	(54)%
Total liabilities	2,356,639	2,429,910	(4)%
Deferred inflows (Pension & OPEB)	60,898	78,631	(23)%
Total deferred outflows	60,898	78,631	(23)%
Net investment in capital assets	3,586,052	3,612,183	-1%
Restricted	1,142,882		100%
Unrestricted	1,908,931	2,565,182	-25%
Net position	\$ 6,637,865	\$ 6,177,365	7%

Net position serves over time as a useful indicator of the Agency's financial position: assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,637,865 as of June 30, 2018. This number is comprised of three components:

Net investment in capital assets	\$3,586,052
Restricted	1,142,882
Unrestricted	<u>1,908,931</u>
Total net position	<u>\$6,637,865</u>

Net investment in capital assets consists of capital assets less any related debt that is still outstanding. Unrestricted assets are used to finance day-to-day operations, including debt service.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR
THE FISCAL YEAR ENDED JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Changes in Net Position

	Governmental			
	Activities		\$	%
	2018	2017	Change	Change
PROGRAM EXPENSES:				
Library Services				
Salaries and Benefits	\$ 1,669,978	\$ 1,638,540	\$ 31,438	2%
Pension and OPEB Adjustments	167,585		167,585	
Total Personnel Services	1,837,563	1,638,540	199,023	12%
Materials and Programs	497,590	578,322	(80,732)	-14%
Depreciation and Amortization	267,992	263,696	4,296	2%
Bond Interest & Fiscal Agent Fees	61,138	54,300	6,838	13%
Total Program Expenses	2,664,283	2,534,858	129,425	5%
PROGRAM REVENUES:				
Charges for Services	32,104	29,849	2,255	8%
Private Grants and Contributions	264,847	285,985	(21,138)	-7%
Total Program Revenues	296,951	315,834	(18,883)	-6%
GENERAL REVENUES:				
Property Taxes	2,526,882	2,441,445	85,437	3%
Investment Earnings	42,533	19,345	23,188	120%
Miscellaneous	3,069	356	2,713	762%
Total General Revenues	2,572,484	2,461,146	111,338	5%
Increase in Net Position	205,152	242,122	(36,970)	-15%
Net Position - Beginning of Year	6,177,365	5,935,243	242,122	4%
Restatement for GASB 75 - OPEB	255,348		255,348	
Net Position - End of Year	6,637,865	6,177,365	460,500	7%

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR
THE FISCAL YEAR ENDED JUNE 30, 2018

GOVERNMENTAL FUNDS ANALYSIS

The following schedule presents a comparison of general fund revenues and expenditures for the fiscal year ended June 30, 2018 to the prior fiscal year.

	Governmental			
	Funds Analysis		\$	%
	2018	2017	Change	Change
REVENUES:				
Intergovernmental:				
Basic Library Tax	\$ 1,820,607	\$ 1,748,049	\$ 72,558	4%
Parcel Tax	277,690	279,455	(1,765)	-1%
ERAF	428,585	413,941	14,644	4%
Total intergovernmental	2,526,882	2,441,445	85,437	3%
Private Grants & Contributions:				
Belvedere Tiburon Library Foundation	218,558	208,682	9,876	5%
Miscellaneous Grants & Contributions	46,289	77,303	(31,014)	-40%
Charges for Services	32,104	29,849	2,255	8%
Investment Earnings	42,533	19,345	23,188	120%
Miscellaneous	3,069	356	2,713	762%
Total Revenues	2,869,435	2,776,980	92,455	3%
EXPENDITURES:				
Current:				
Salaries and Benefits	1,669,978	1,625,946	44,032	3%
Services and Supplies	644,798	699,047	(54,249)	-8%
Debt Service:				
Principal	65,000	60,000	5,000	8%
Interest and Fiscal Agent Fees	61,138	54,300	6,838	13%
Capital Outlay	29,653	71,410	(41,757)	-58%
Total Expenditures	2,470,567	2,510,703	(40,136)	-2%
Excess of Revenues over Expenditures	398,868	266,277	132,591	50%
OTHER FINANCING SOURCES AND (USES):				
Capital Lease Agreement	-	36,900	(36,900)	
Excess of Revenues over Expenditures and Other				
Financing Sources	398,868	303,177	95,691	
Fund Balances, Beginning of Year	3,698,009	3,394,832	303,177	
FUND BALANCES, END OF YEAR	\$ 4,096,877	\$ 3,698,009	\$ 398,868	11%

**MANAGEMENT'S DISCUSSION AND ANALYSIS FOR
THE FISCAL YEAR ENDED JUNE 30, 2018**

GOVERNMENTAL FUNDS ANALYSIS

	June 30, 2017	Increase/ (Decrease)	June 30, 2018
Nonspendable	\$ 6,214	\$ 298	\$ 6,512
Restricted for building expansion	0	1,000,000	1,000,000
Restricted for library programs	88,969	(34,137)	54,832
Restricted for debt service	88,050	0	88,050
Committed for operations	2,785,069	(134,824)	2,650,245
Committed for insurance	50,000	0	50,000
Committed for building maintenance	679,707	(432,469)	247,238
	<u>\$ 3,698,009</u>	<u>\$ 398,868</u>	<u>\$ 4,096,877</u>

COMMENTS ON BUDGET COMPARISONS

see Required supplementary information on page 40

Actual total revenues exceeded the amount budgeted by \$227,722. This was mainly due to a positive \$34,907 variance in basic library tax, a positive \$82,550 variance in ERAF tax revenue, a positive \$54,435 variance in contributions from the miscellaneous gifts and donations, and a positive \$42,533 variance in investment earnings.

Actual total expenditures were less than the amount budgeted by \$124,321. This difference is primarily due to adjustments to Pension and OPEB expense of approximately due to new actuarial valuations. These Capital Outlay and Pension/OPEB expenditures offset below budget expenditures in both Salaries & Benefits and Services & Supplies totaling approximately \$(128,000).

HISTORY AND ECONOMIC FACTORS

The history of the Agency organization is described in Note 1 of the financial statements. The main source of revenue for the Agency is property taxes as described in Note 1 of the financial statements. The return of excess ERAF is not assured on an annual basis into the future. The Agency also relies on annual grants from the Belvedere Tiburon Library Foundation, which may vary from year to year.

Building reserves are being funded on a yearly basis to pay for building upgrades and maintenance, including roofing, carpeting, or other important facility items. In Fiscal Year 2018, \$500,000 of the Building Reserve and \$500,000 of previously Unassigned Reserves were transferred to a newly established Library Expansion Reserve of \$1,000,000, and any remaining funds each year will be reserved for operations via Agency Resolution No. 235-2017.

The Agency is presently investing time and resources into the expansion of the library. The final environmental impact report for this project was approved in August 2011. The Tiburon Town Council approved the site plan and architectural drawings in August 2012. For additional information regarding the progress of the expansion project, please refer to the Agency's website under "Library Expansion."

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR
THE FISCAL YEAR ENDED JUNE 30, 2018

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Agency's finances for all those with an interest in the Agency's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Library Director
Belvedere-Tiburon Library Agency
1501 Tiburon Blvd
Tiburon, CA 94920.

BELVEDERE-TIBURON LIBRARY AGENCY

**(A California Joint Exercise of Powers Agency of the
Town of Tiburon and the City of Belvedere and
A California Community Facilities District)**

**STATEMENT OF NET POSITION
JUNE 30, 2018**

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash, cash equivalents and investments (Note 3)	\$4,047,547
Accounts and interest receivable (Note 4)	103,154
Prepays	6,362
Security deposit	150
Total current assets	<u>4,157,213</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation (Note 5)	<u>4,424,632</u>
Total Assets	<u>8,581,845</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension (Note 8)	469,823
Related to OPEB (Note 9)	3,734
Total Deferred Outflows of Resources	<u>473,557</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	60,336
Long-term debt - due within one year (Note 6)	76,586
Total current liabilities	<u>136,922</u>
Non-current liabilities:	
Compensated absences (Note 2F)	180,640
Long-term debt - due in more than one year (Note 6)	761,994
Net Pension Liability (Note 8)	1,063,688
Net OPEB Liability (Note 9)	213,395
Total Liabilities	<u>2,356,639</u>
DEFERRED INFLOWS OF RESOURCES	
Related to pension (Note 8)	39,362
Related to OPEB (Note 9)	21,536
Total Deferred Inflows of Resources	<u>60,898</u>
NET POSITION (Note 7A)	
Net investments in capital assets	3,586,052
Restricted	1,142,882
Unrestricted	1,908,931
Total Net Position	<u><u>\$6,637,865</u></u>

See accompanying notes to financial statements

BELVEDERE-TIBURON LIBRARY AGENCY
(A California Joint Exercise of Powers Agency of the
Town of Tiburon and the City of Belvedere and
A California Community Facilities District)
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Governmental Activities</u>
PROGRAM EXPENSES:	
Library services:	
Personnel services	\$1,837,563
Materials and services	497,590
Depreciation and amortization	267,992
Interest	61,138
Total Program Expenses	<u><u>2,664,283</u></u>
PROGRAM REVENUES:	
Charges for services	32,104
Private grants and contributions	264,847
Total Program Revenues	<u><u>296,951</u></u>
Net Program Loss	<u><u>(2,367,332)</u></u>
GENERAL REVENUES:	
Property taxes	2,526,882
Investment earnings	42,533
Miscellaneous	3,069
Total General Revenues	<u><u>2,572,484</u></u>
Increase in Net Position	205,152
Net position - beginning of year, as restated (Note 2K)	<u>6,432,713</u>
Net position - end of the year	<u><u>\$6,637,865</u></u>

See accompanying notes to basic financial statements.

BELVEDERE-TIBURON LIBRARY AGENCY

**(A California Joint Exercise of Powers Agency of the
Town of Tiburon and the City of Belvedere and
A California Community Facilities District)**

**BALANCE SHEET
GOVERNMENTAL FUND - GENERAL FUND
JUNE 30, 2018**

ASSETS

Cash, cash equivalents and investments (Note 3)	\$4,047,547
Accounts and interest receivable (Note 4)	103,154
Prepays	6,362
Security deposit	150
Total Assets	\$4,157,213

LIABILITIES AND FUND BALANCES

Liabilities:

Accounts payable and accrued liabilities	\$60,336
Total Liabilities	60,336

Fund Balances (Note 7B):

Nonspendable for prepaids and security deposit	6,512
Restricted for:	
Building expansion	1,000,000
Debt service	88,050
Library programs	54,832
Committed for:	
Operations	2,650,245
Insurance	50,000
Building maintenance	247,238
Total Fund Balances	4,096,877
Total Liabilities and Fund Balances	\$4,157,213

See accompanying notes to basic financial statements

BELVEDERE-TIBURON LIBRARY AGENCY

**(A California Joint Exercise of Powers Agency of the
Town of Tiburon and the City of Belvedere and
A California Community Facilities District)**

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2018**

Total Fund Balances - Governmental Funds

\$4,096,877

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources. Therefore, they are not reported in the Governmental Funds Balance Sheet.

Capital assets	\$8,588,034	
Less: Accumulated depreciation	<u>(4,163,402)</u>	4,424,632

Deferred outflows of resources related to pension		469,823
Deferred outflows of resources related to OPEB		<u>3,734</u>

Long-term liabilities and deferred inflows of resources are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.

Long-term debt	(838,580)	
Compensated absences	(180,640)	
Net Pension Liability	(1,063,688)	
Net OPEB Liability	(213,395)	
Deferred inflows of resources related to pension	(39,362)	
Deferred inflows of resources related to OPEB	<u>(21,536)</u>	<u>(2,357,201)</u>

Net Position - Governmental Activities

\$6,637,865

See accompanying notes to basic financial statements

BELVEDERE-TIBURON LIBRARY AGENCY
(A California Joint Exercise of Powers Agency of the
Town of Tiburon and the City of Belvedere and
A California Community Facilities District)
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

REVENUES

Intergovernmental:	
Basic library tax	\$1,820,607
Parcel tax	277,690
ERAF	428,585
	<hr/>
Total Intergovernmental	2,526,882
Private grants and contributions:	
Belvedere-Tiburon Library Foundation (Note 10)	218,558
Miscellaneous gifts and donations (Note 10)	46,289
Charges for service	32,104
Investment earnings	42,533
Miscellaneous	3,069
	<hr/>
Total Revenues	2,869,435

EXPENDITURES

Current - Library Services:	
Salaries and benefits	1,669,978
Services and supplies	644,798
Debt service:	
Principal	65,000
Interest	61,138
Capital outlay	29,653
	<hr/>
Total Expenditures	2,470,567
	<hr/>
Excess of Revenues over Expenditures	398,868
Fund Balances, Beginning of Year	3,698,009
	<hr/>
Fund Balances, End of Year	<u><u>\$4,096,877</u></u>

See accompanying notes to basic financial statements.

BELVEDERE-TIBURON LIBRARY AGENCY

**(A California Joint Exercise of Powers Agency of the
Town of Tiburon and the City of Belvedere and
A California Community Facilities District)**

**Reconciliation of the Governmental Funds – Statement of Revenues,
Expenditures and Changes in Fund Balances to the
Government-Wide Statement of Activities and Changes in Net Position
For the Fiscal Year Ended June 30, 2018**

Net Changes in Fund Balances - Governmental Funds

\$398,868

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Position are different because:

Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities and Change in Net Position the cost of these assets is allocated over their estimated useful lives and recorded as depreciation expense.

Capital outlay	\$29,653	
Services and supplies (Books)	141,871	
Depreciation and amortization expense	<u>(267,992)</u>	(96,468)

Some expenses reported in the Statement of Activities and Changes in Net Position do not require the use of financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences	(23,233)
Change in pension liabilities	(117,131)
Change in OPEB liabilities	(27,221)

Series 1996 bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal repayments on Series 1996 Bonds	65,000
Principal repayments on capital lease	<u>5,337</u>

Changes in Net Position - Governmental Activities

\$205,152

See accompanying notes to basic financial statements.

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BELVEDERE-TIBURON LIBRARY AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 1 – ORGANIZATION

The Belvedere-Tiburon Library Agency (the “Agency”), and Community Facilities District No. 1995-1 (“CFD”), were organized in 1995 by a joint power agreement between the Town of Tiburon and the City of Belvedere. The Agency was created to construct and operate a library facility which was completed April 13, 1997. Financing for the construction of the facility was primarily through a grant from the Belvedere-Tiburon Library Foundation and the issuance of limited obligation bonds. The Agency is governed by a Board of Trustees, which adopted a resolution authorized by a registered-voter election to levy a special tax against parcels of land within the CFD. This tax and other property taxes will provide for repayment of the bonds and provide operational funding for the Agency which receives payments from the County of Marin Tax Collector through the Town of Tiburon and the City of Belvedere. The Agency is subject to the laws, regulations and guidelines that are set forth by the California State Controller’s Office.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Agency have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Boards (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting principles are described below.

A. Government-Wide Financial Statements

The government-wide financial statements include all of the activities of the Agency. The Agency has no component units (other governments under the Agency’s oversight or control). The statement of net position and the statement of activities display information about the reporting government as a whole. They display the Agency’s activities on a full accrual accounting basis and economic resource measurement focus.

The statement of net position includes long-term assets as well as long-term debt and other obligations. The Agency’s net position is reported in two parts: (1) net investment in capital assets and (2) unrestricted net position.

The activities of the Agency are supported primarily by general government revenues (property taxes and intergovernmental revenues). The statement of activities presents gross program expenses (including depreciation) and deducts related program revenues, operating and capital grants to indicate the net cost of operations. Program revenues include (a) fees and charges paid by recipients for services and (b) operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflect capital- specific grants.

The government-wide focus is more on the sustainability of the Agency as an entity and the change in the Agency’s net position resulting from the current year’s activities.

BELVEDERE-TIBURON LIBRARY AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
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B. Fund Financial Statements

The financial transactions of the government are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures. The Agency only reports one fund as follows:

General Fund is the general operating fund of the Agency. It is used to account for all financial resources and activities of the Agency.

C. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made regardless of the measurement focus applied.

Accrual

The governmental activities in the government-wide financial statements are presented on the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

D. Budget Process and Expenditures in Excess of Appropriations

The Library Director, with the assistance of the Agency Treasurer and the Administrative Assistant to the Library Director, annually prepare a preliminary budget for review by the Board of Directors and the Library Foundation. The final budget is voted on by the full Board at the June board meeting, prior to the beginning of the new fiscal year on July 1st of every year.

During fiscal year ended June 30, 2018, the Agency incurred capital outlay expenditures in excess of its budget in the amount of \$1,653. The excess expenditures were funded by available financial resources and other financing resources.

E. Cash and cash equivalents

The Agency has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with maturity dates within three months of the acquisition date.

BELVEDERE-TIBURON LIBRARY AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
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F. Compensated Absences

Earned vacation and a portion of accumulated sick leave payable upon termination or retirement are accrued as a compensated absences liability. Regular employees earn vacation hours based on years of continuous service and scheduled weekly hours worked. Also, regular employees are given credit for seven and one half hours of sick leave each month of employment with a maximum pro-rated accumulation of 90 days. At the close of each fiscal year, a liability is recorded based on the accumulated time for employees at their current salary. The General Fund has been used to liquidate compensated absences. The balance of accrued compensated absences as of June 30, 2018 was \$180,640.

G. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and governmental funds balance sheet sometimes reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position and governmental funds balance sheet 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

H. Fair Value Measurements

Fair value is defined as 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. The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

BELVEDERE-TIBURON LIBRARY AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
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I. Property taxes

Operation of the library facility is funded by that portion of County ad valorem real estate taxes which previously was funding County of Marin library services. The 1996 Special Tax Bonds (discussed in Note 6) are to repaid through the collection of a special library tax which is \$66 per parcel per annum in the City of Belvedere and the Town of Tiburon. Any portion of the special parcel tax which is not needed to service the bonds is used for operations.

The County of Marin, which collects all taxes paid to the Agency, levies property taxes each November 1 on the assessed value of real property as of prior March 1. Taxes are due in two equal installments on December 10 and April 10 following the levy date. The County operates under the permission of Section 4701-4717 of the California Revenue and Taxation Code (the "Teeter Plan"). In accordance with the Teeter Plan, all subdivisions of the County for which the County collects tax revenues are credited with 100% of their respective treasuries' cash positions and are additionally protected by a special fund into which all County-wide delinquent penalties are deposited.

J. Use of Estimates

The basic financial statements have been prepared in conformity to generally accepted accounting principles and therefore include amounts based on informed estimates and judgments of management. Actual results could differ from those estimates.

K. Implementation of GASB Pronouncement/Restatement of Net Position

Management adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)*, which became effective during the year ended June 30, 2018. In June 2015, GASB issued Statement No. 75 and the intention of this Statement is to improve the usefulness of information for decisions made by the various users of the financial reports of governments whose employees – both active employees and inactive employees – are provided with postemployment benefits other than pensions by requiring recognition of the entire net OPEB liability and a more comprehensive measure of OPEB expense.

The implementation of the Statement required the Agency to make a prior period adjustment. As a result, the beginning net position of the Governmental Activities was restated and increased by \$255,348. See Note 9 for further details regarding the OPEB plan and valuation.

BELVEDERE-TIBURON LIBRARY AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 – CASH, CASH EQUIVALENTS AND INVESTMENTS

A. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the Agency's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the Agency's name and places the Agency ahead of general creditors of the institution.

The Agency's investments are carried at fair value, as required by generally accepted accounting principles. The Agency adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

Cash, cash equivalents and investments consist of the following at June 30, 2018:

<i>Held by Agency:</i>	
Petty cash	\$100
Deposits with financial institutions	439,162
Local Agency Investments Fund	3,400,954
<i>Held by Fiscal Agent:</i>	
Money Market Mutual Fund	207,331
	<hr/>
Total Cash, Cash Equivalents and Investments	<u><u>\$4,047,547</u></u>

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

The Agency's Investment Policy and the California Government Code allow the Agency to invest in the following, provided the credit ratings of the issuers are acceptable to the Agency, and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the Agency's Investment Policy where the Agency's Investment Policy is more restrictive.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	N/A	100%	None
Certificates of Deposit	2 years	N/A	50%	None
State Local Agency Investment Fund	None	N/A	100%	None

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity is of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Agency generally manages its interest rate risk by holding investments to maturity.

All of the Agency's investments mature in less than twelve months.

BELVEDERE-TIBURON LIBRARY AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 3 - CASH, CASH EQUIVALENTS AND INVESTMENTS Continued)

The Agency is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Agency reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2018, these investments matured in an average of 193 days.

D. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. None of the Agency's investments are subject to credit ratings.

E. Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Agency would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the Agency's name, and held by the counterparty. The Agency's investment securities are not exposed to custodial credit risk because all securities are held by the Agency's custodial bank in the Agency's name.

F. Fair Value Hierarchy

The Agency 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 fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The California Local Agency Investment Fund is exempt from the fair value hierarchy and is valued based on the fair value factor provided by the Treasurer of the State of California, which is calculated as the fair value divided by the amortized cost of the investment pool.

BELVEDERE-TIBURON LIBRARY AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 4 – ACCOUNTS AND INTEREST RECEIVABLE

Accounts and interest receivable consist of the following at June 30, 2018:

Parcel Tax	\$11,339
Basic Tax	67,315
Foundation Reimbursement	5,815
LAIF Interest	15,654
Miscellaneous	3,031
	<u>\$103,154</u>

It is the practice of the Agency to expense uncollectibles only after exhausting all efforts to collect the amounts due. No allowance for doubtful accounts is used and management believes all amounts will be collected in full.

NOTE 5 – CAPITAL ASSETS

Governmental activity capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated.

Depreciation of capital assets is charged as an expense against operations each year and the total amount of depreciation taken over the years, accumulated depreciation, is reported on the Statement of Net Position as a reduction in the book value of capital assets.

Depreciation of capital assets in service is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years, and the result is charged to expense each year until the asset is fully depreciated. The Agency has assigned the useful lives listed below to capital assets:

Books	7 years
Building and improvements	30 years
Computers and equipment	3-5 years
Furniture and fixtures	7 years
Website	7 years

BELVEDERE-TIBURON LIBRARY AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 5 – CAPITAL ASSETS (Continued)

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions/</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2018</u>
Non-depreciable assets:			
Land	\$1,606,560		\$1,606,560
Construction-in-progress	1,475,743	\$28,703	1,504,446
Depreciable assets:			
Books	2,475,487	123,681	2,599,168
Buildings and improvements	2,351,952		2,351,952
Computers and equipment	125,956	13,280	139,236
Furniture and fixtures	303,237	5,860	309,097
Website	77,575		77,575
	<u>8,416,510</u>	<u>171,524</u>	<u>8,588,034</u>
Accumulated depreciation:			
Books	(1,970,675)	(140,735)	(2,111,410)
Buildings and improvements	(1,567,961)	(78,398)	(1,646,359)
Computers and equipment	(78,324)	(24,326)	(102,650)
Furniture and fixtures	(245,204)	(13,450)	(258,654)
Website	(33,246)	(11,083)	(44,329)
	<u>(3,895,410)</u>	<u>(267,992)</u>	<u>(4,163,402)</u>
Capital assets, net of depreciation	<u><u>\$4,521,100</u></u>	<u><u>(\$96,468)</u></u>	<u><u>\$4,424,632</u></u>

Construction in progress costs include planning and pre-development costs (architectural, environmental reporting, planning, etc.) related to the proposed expansion of the existing library facility. The Agency entered into an agreement with the Town of Tiburon in 2007 to transfer the rights to use adjacent property to facilitate the expansion project which expired on July 5, 2013. The Agency amended the agreement on December 5, 2012 which extended the expiration date to August 1, 2017. The Agency subsequently amended the agreement on May 15, 2017 which extended the expiration date to August 1, 2022. The Town shall transfer the title of the property to the Agency within sixty (60) days of written notice of obtaining satisfactory evidence of sufficient funds to complete the expansion project. The Agency is working towards completing various milestones in order to be able to commence construction; however, as of June 30, 2018, the Agency cannot determine when they will be able to commence construction.

BELVEDERE-TIBURON LIBRARY AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 6 – LONG-TERM DEBT

The following is a summary of long-term debt transactions of the governmental activities for the year ended June 30, 2018:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due within</u> <u>one year</u>
<i>Governmental Activities:</i>				
Series 1996 Special Tax Bonds	\$875,000	\$65,000	\$810,000	\$70,000
Capital Leases	33,917	5,337	28,580	6,586
	<u>\$908,917</u>	<u>\$70,337</u>	<u>\$838,580</u>	<u>\$76,586</u>

1996 Special Tax Bonds

In April 1996, the Agency issued \$1.6 million in limited obligation bonds. The bond agreement calls for an interest rate ranging from 4 to 6% per annum, with interest payable semi-annually on March 1 and September 1, beginning March 1, 1998. The bonds mature on varying dates and in varying amounts from September 1, 1999 through September 1, 2026, and are repayable from ad valorem property taxes.

Equipment Lease – Color Copier

In October 2016, the Agency entered into a lease purchase agreement with Discovery Office Systems to finance a Kyocera 4550ci copier/printer. The lease provides for 60 monthly payments of \$924 plus tax, including principal and interest, commencing November 2016 and ending October 2021.

Payments on the bonds for the succeeding five years and thereafter are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$70,000	\$46,500	\$116,500
2020	75,000	42,150	117,150
2021	80,000	37,500	117,500
2022	85,000	32,550	117,550
2023	90,000	27,300	117,300
2024-2027	410,000	50,700	460,700
Total	<u>\$810,000</u>	<u>\$236,700</u>	<u>\$1,046,700</u>

The total annual minimum annual payments on the capital lease are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$6,586	\$5,445	\$12,031
2020	8,127	3,904	12,031
2021	10,028	2,003	12,031
2022	3,839	171	4,010
Total	<u>\$28,580</u>	<u>\$11,523</u>	<u>\$40,103</u>

BELVEDERE-TIBURON LIBRARY AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 7 – NET POSITION AND FUND BALANCE

A. Net Position

Net Position is the excess of all the Agency's assets and deferred outflows over all its liabilities, deferred inflows, regardless of fund. Net Position is divided into two captions. These captions apply only to Net Position, which is determined only at the Agency-wide level, and are described below:

Net investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the Agency's capital assets.

Unrestricted describes the portion of Net Position which is not restricted to use.

B. Fund Balance

The Agency's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the Agency to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the Agency prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendables represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose.

Committed fund balances have constraints imposed by formal action of the Board of Trustees which may be altered only by formal action of the Board of Trustees.

Assigned fund balances are amounts constrained by the Agency's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Board of Trustees or its designee and may be changed at the discretion of the Board of Trustees or its designee. This category includes nonspendables, when it is the Agency's intent to use proceeds or collections for a specific purpose.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds. The Agency strives to maintain 50% of operating expenditures in reserves, which is reflected in the large unassigned fund balance.

Fund balances classifications at June 30, 2018 are presented on the General Fund Balance Sheet.

BELVEDERE-TIBURON LIBRARY AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – PENSION PLAN

A. Plan Descriptions and Summary of Balances

Plan Description – The Agency only has one defined benefit pension plan, a Miscellaneous Plan. The Miscellaneous Plan is a Cost-Sharing Multiple Employer Plan administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Agency Ordinance.

CalPERS Plan - All qualified employees are eligible to participate in the Agency's Miscellaneous (Classic) or Miscellaneous (PEPRA) cost-sharing multiple employer defined benefit pension plans ("Plan").

Benefit provisions under the Plan is established by State statute and Agency resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

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 Miscellaneous Plan and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Pension liabilities are liquidated by the funds that have recorded the liability. The long-term portion of the governmental activities pension liabilities are liquidated by the General Fund.

The Plan is discussed in detail below.

B. CalPERS Plan (Miscellaneous)

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

Funding Policy – Active plan members in the Plan are required to contribute 6.5% or 7% of their covered salary for the Miscellaneous Plan. The Agency contributes 5% of the 7% CalPERS contribution required of Classic Members. The Agency does not contribute to the employee portion for PEPRA Members. The Agency is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The contribution requirements of plan members are established by State statute and the employer contribution is established and may be amended by CalPERS.

BELVEDERE-TIBURON LIBRARY AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – PENSION PLAN (Continued)

The Plan's provisions and benefits in effect at June 30, 2018 are summarized as follows:

	Miscellaneous	
	<u>Classic</u>	<u>PEPRA</u>
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55 or older	52-67 or older
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	7.0%	6.5%
Required employer contribution rates	9.096%	6.908%

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

For the year ended June 30, 2018, the contributions recognized as part of pension expense for the Plan was as follows:

	<u>Miscellaneous</u>
Contributions - employer	<u>\$79,135</u>

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions - As of June 30, 2018, the Agency reported net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous - Classic & PEPRA	<u>\$1,063,688</u>

The Agency's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The Agency's proportion of the net pension liability was based on a projection of the Agency's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Agency's proportionate share of the net pension liability for the Plan as of June 30, 2016 and 2017 was as follows:

BELVEDERE-TIBURON LIBRARY AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – PENSION PLAN (Continued)

	<u>Miscellaneous</u>
Proportion - June 30, 2016	0.02544%
Proportion - June 30, 2017	0.02698%
Change - Increase (Decrease)	<u>0.00154%</u>

For the year ended June 30, 2018, the Agency recognized pension expense of \$117,131. At June 30, 2018, the Agency reported deferred outflows of resources and deferred inflows of resources related to the Miscellaneous Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$79,135	
Differences between actual and expected experience	1,655	(\$23,707)
Changes in assumptions	205,313	(15,655)
Net differences between projected and actual earnings on plan investments	46,433	
Net difference in actual contribution and proportion contributions	22,782	
Adjustment due to differences in proportions	<u>114,505</u>	
Total	<u>\$469,823</u>	<u>(\$39,362)</u>

\$79,135 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The Agency does not incur any amount for pension contributions subsequent to measurement date related to deferred outflows of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Fiscal Year Ended June 30</u>	<u>Annual Amortization</u>
2019	\$126,224
2020	160,988
2021	91,682
2022	<u>(27,568)</u>
Total	<u>\$351,326</u>

BELVEDERE-TIBURON LIBRARY AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – PENSION PLAN (Continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal in accordance with the requirements of GASB Statement No. 68

Actuarial Assumptions:

Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Protection
Increase	Allowance Floor on Purchasing Power applies, 2.75% thereafter

¹The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2014 CalPERS Experience Study and Review of Actuarial Assumptions report (based on CalPERS demographic data from 1997 to 2011) available online at <https://www.calpers.ca.gov/docs/forms-publications/calpers-experience-study-2014.pdf>

Changes of assumptions – GASB 68, paragraph 68, states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.15% used for the June 30, 2017 measurement date is without reduction of pension plan administrative expense.

Discount Rate – The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for public agency plans (including PERF C), the amortization and smoothing periods recently adopted by the Board were used. For the Plan, the crossover test was performed for a miscellaneous agent rate plan selected as being more at risk of failing the crossover test and resulting in a discount rate that would be different from the long-term expected rate of return on pension investments. Based on the testing of the rate plans, the tests revealed the asset would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF C. The crossover test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained on CalPERS’ website under the GASB 68 section.

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 rate of returns, net of pension plan investment expense and inflation) are developed for each major asset class.

BELVEDERE-TIBURON LIBRARY AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – PENSION PLAN (Continued)

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) 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 was calculated. The expected nominal 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.

Expected Changes in Discount and Contribution Rates – In December 2016, CalPERS' Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019, and result in increases to employers' normal costs and unfunded actuarial liabilities.

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	47.0%	4.90%	5.38%
Global Fixed Income	19.0%	0.80%	2.27%
Inflation Sensitive	6.0%	0.60%	1.39%
Private Equity	12.0%	6.60%	6.63%
Real Estate	11.0%	2.80%	5.21%
Infrastructure and Forestland	3.0%	3.90%	5.36%
Liquidity	2.0%	-0.40%	-0.90%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

BELVEDERE-TIBURON LIBRARY AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 8 – PENSION PLAN (Continued)
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Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Agency's proportionate share of the net pension liability for each Plan, calculated using the discount rate 7.15%, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$1,740,458
Current Discount Rate	7.15%
Net Pension Liability	\$1,063,688
1% Increase	8.15%
Net Pension Liability	\$503,176

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

BELVEDERE-TIBURON LIBRARY AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – POST-EMPLOYMENT HEALTH CARE BENEFITS

A. General Information about the Agency's Other Post Employment Benefit (OPEB) Plan

Plan Description – The Agency's Post Employment Benefit Plan is a single employer OPEB plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

Benefits Provided – The following is a summary of Plan benefits as of June 30, 2018:

<i>Eligibility</i>	<ul style="list-style-type: none"> • Retire directly from Library under CalPERS • Service - Age 50 & 5 years CalPERS service, or • Disability 										
<i>Retiree Medical Benefit</i>	<p>Library contributes PEMHCA minimum retirees participating in PEMHCA medical plan:</p> <table> <tr> <th><u>Year</u></th><th><u>PEMHCA Minimum</u></th></tr> <tr> <td>2017</td><td>\$ 128</td></tr> <tr> <td>2018</td><td>133</td></tr> <tr> <td>2019</td><td>136</td></tr> <tr> <td>2020+</td><td>Increase at CPI-U Medical</td></tr> </table>	<u>Year</u>	<u>PEMHCA Minimum</u>	2017	\$ 128	2018	133	2019	136	2020+	Increase at CPI-U Medical
<u>Year</u>	<u>PEMHCA Minimum</u>										
2017	\$ 128										
2018	133										
2019	136										
2020+	Increase at CPI-U Medical										
<i>Surviving Spouse Benefit</i>	<ul style="list-style-type: none"> • Surviving spouse coverage based on retirement plan election • Same benefit continues to surviving spouse 										
<i>Other OPEB</i>	<ul style="list-style-type: none"> • No dental, vision, life insurance or Medicare reimbursement 										
<i>Implied Subsidy</i>	<ul style="list-style-type: none"> • Participating retirees pay active rates vs actual cost • Implied subsidy included in valuation 										

For the year ended June 30, 2018, the Agency's contributions to the Plan were \$79,135.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2017:

Active employees	16
Inactive employees or beneficiaries currently receiving benefit payments	2
Inactive employees entitled to but not yet receiving benefit payments	3
Total	<u>21</u>

BELVEDERE-TIBURON LIBRARY AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

B. Total OPEB Liability

Actuarial Methods and Assumptions – The Agency's total OPEB liability was measured as of June 30, 2017 and was determined by an actuarial valuation dated June 30, 2017 to determine the June 30, 2018 total OPEB liability as of June 30, 2017, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Actuarial Valuation Date	June 30, 2017
Measurement Date	June 30, 2017
Actuarial Assumptions:	
	- 3.58% at June 30, 2017 (Bond Buyer 20-bond Index)
Discount Rate	- 2.85% at June 30, 2017 (Bond Buyer 20-bond Index)
General Inflation	2.75% per annum
	- Aggregate - 3.00%
Salary Increases	- Merit - CalPERS 1997-2015 Experience Study
Mortality, Retirement, Disability, Termination	CalPERS 1997-2015 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-17
	- Non-Medicare - 7.5% for 2019, decreasing to an ultimate rate of 4.0% in 2076
Medical Trend	- Medicare - 6.5% for 2019, decreasing to an ultimate rate of 4.0% in
PEMHCA Minimum Increase	4.25% per year
Medical Participation at Retirement	- Currently covered - 60% - Currently waived - 30%
Medical Plan at Retirement	- Currently covered - same as current election - Currently waived - Kaiser

C. Changes in Total OPEB Liability

The changes in the total OPEB liability follows:

	Total OPEB Liability
Balance at July 1, 2017 Reporting Date	\$203,976
Changes Recognized for the Measurement Period:	
Service cost	29,649
Interest on the total OPEB liability	6,625
Changes of assumptions	(24,569)
Benefit payments	(2,286)
Net changes	9,419
Balance at June 30, 2018 Reporting Date	\$213,395

BELVEDERE-TIBURON LIBRARY AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

D. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Agency, as well as what the Agency's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58%) or 1-percentage-point higher (4.58%) than the current discount rate:

Total OPEB Liability/(Asset)		
Discount Rate -1%	Current Discount Rate	Discount Rate +1%
(2.58%)	(3.58%)	(4.58%)
\$248,068	\$213,395	\$185,236

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

Total OPEB Liability/(Asset)		
Current Healthcare Cost		
1% Decrease	Trend Rates	1% Increase
\$177,665	\$213,395	\$259,241

E. OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Agency recognized OPEB expense of \$33,241. At June 30, 2018, the Agency reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$3,734	
Differences between actual and expected experience		
Changes of assumptions		\$21,536
Total	\$3,734	\$21,536

BELVEDERE-TIBURON LIBRARY AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 9 – POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

\$3,734 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

Fiscal Year Ended June 30	Annual Amortization
2019	(\$3,033)
2020	(3,033)
2021	(3,033)
2022	(3,033)
2023	(3,033)
Thereafter	(6,371)
Total	(\$21,536)

NOTE 10 – FOUNDATION GRANTS

Major funding for the building and for equipping the library facility is from the nonprofit Belvedere-Tiburon Library Foundation which has been formed through contributions and bequests from community members. Grants committed by the Foundation (from inception through June 30, 2018) consist of the following:

	Grant Revenue		
	Inception-to-Date June 30, 2017	Fiscal Year 2018	Inception-to-Date June 30, 2018
<u>Construction:</u> Original Building 1997	\$1,959,581		\$1,959,581
<u>Construction:</u> Library Expansion 2019	669,872	\$3,031	672,903
<u>Collection</u> - Original Book Collection 1997-2001	882,534		882,534
<u>Collection</u> -BTLF (Foundation) Annual Appeal	1,138,288	85,000	1,223,288
<u>Collection</u> - BTLF's Corner Books	170,000	35,000	205,000
<u>Programs & Operations</u> - BTLF Endowments	1,098,514	65,527	1,164,041
<u>Programs</u> - BTLF's Bookmarks	271,412	30,000	301,412
Total Belvedere Tiburon Library Foundation Grants	\$6,190,201	\$218,558	\$6,408,759

BELVEDERE-TIBURON LIBRARY AGENCY
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – FOUNDATION GRANTS (Continued)

Grant revenues for the fiscal year ended June 30, 2018 were as follows:

<u>Belvedere Tiburon Library Foundation (BTLF)</u>	<u>FYE 6/30/18</u>
Construction: Library Expansion 2019	\$3,031
Collection -BTLF (Foundation) Annual Appeal	85,000
Collection - BTLF's Corner Books	35,000
Programs - BTLF Endowments	65,527
Programs - BTLF's Bookmarks	30,000
Total Belvedere Tiburon Library Foundation Grants	<u><u>\$218,558</u></u>
 <u>Miscellaneous Grants and Contributions</u>	
Gently Used Art Auction - BTLA Art Committee	\$35,705
Miscellaneous Donations	10,584
Total Private Grants and Contributions	<u><u>\$264,847</u></u>

NOTE 11 – RISK MANAGEMENT

The Agency is a member of the Pooled Liability Assurance Network (PLAN), which provides general liability coverage of \$5,000,000 above the Agency's deductible of \$50,000 per occurrence, risk property insurance of \$1,000,000,000 above the Agency's deductible of \$5,000 for property damage and \$5,000 for auto / vehicle damage. PLAN is governed by a board consisting of representatives from member municipalities. The board controls the operations of PLAN, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on the Board. The Agency has paid \$19,947 in premium during fiscal year ended June 30, 2018. Audited financial statements may be obtained from PLAN Services, 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

The Agency is also a member of Republic Indemnity Company of America, which provides workers compensation coverage of \$1,000,000 for excess liability on each accident, policy limit & each employee. The Agency has no deductible for the claims and has paid \$4,105 in premiums during fiscal year ended June 30, 2018. Audited financial statements may be obtained from Republic Indemnity Company of America, 15821 Ventura Blvd, Suite 370, Encino, CA 91436.

The Agency does not have any liability for uninsured claims, including estimated claims incurred but not reported for fiscal year ended June 30, 2018. Settlements have not exceeded insurance coverage in the past three years.

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REQUIRED SUPPLEMENTARY INFORMATION

BELVEDERE-TIBURON LIBRARY AGENCY
(A California Joint Exercise of Powers Agency of the
Town of Tiburon and the City of Belvedere and
A California Community Facilities District)

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Original and Final Budgeted Amounts	Actual Amounts	Variance Positive (Negative)
Revenues:			
Intergovernmental:			
Basic library tax	\$1,785,700	\$1,820,607	\$34,907
Parcel tax	275,000	277,690	2,690
ERAF	346,035	428,585	82,550
Total intergovernmental	<u>2,406,735</u>	<u>2,526,882</u>	<u>120,147</u>
Private grants & contributions:			
Belvedere-Tiburon Library Foundation	210,412	218,558	8,146
Miscellaneous gifts & donations		46,289	46,289
Charges for services	21,637	32,104	10,467
Investment earnings		42,533	42,533
Miscellaneous	<u>2,929</u>	<u>3,069</u>	<u>140</u>
Total Revenues	<u>2,641,713</u>	<u>2,869,435</u>	<u>227,722</u>
Expenditures:			
Current - Library Services:			
Salaries and benefits	1,728,473	1,669,978	58,495
Services and supplies	711,865	644,798	67,067
Debt service:			
Principal	65,000	65,000	
Interest and fiscal charges	61,550	61,138	412
Capital outlay	<u>28,000</u>	<u>29,653</u>	<u>(1,653)</u>
Total Expenditures	<u>2,594,888</u>	<u>2,470,567</u>	<u>124,321</u>
Excess of revenues over expenditures	<u>\$46,825</u>	398,868	<u>\$352,043</u>
Fund balances, beginning of year		<u>3,698,009</u>	
Fund balances, end of year		<u>\$4,096,877</u>	

BELVEDERE-TIBURON LIBRARY AGENCY

Miscellaneous Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Last 10 Years*

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND RELATED RATIOS AS OF THE MEASUREMENT DATE**

Measurement Date	Miscellaneous Plan			
	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Plan's proportion of the Net Pension Liability (Asset)	0.01024%	0.02324%	0.02544%	0.02698%
Plan's proportion share of the Net Pension Liability (Asset)	\$637,621	\$637,654	\$883,572	\$1,063,688
Plan's Covered Payroll	\$1,081,598	\$1,081,598	\$1,129,322	\$1,139,794
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	58.95%	58.95%	78.24%	93.32%
Plan's Fiduciary Net Position as a Percentage of the Total Pension Liability	79.82%	78.40%	74.06%	73.31%

* Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

BELVEDERE-TIBURON LIBRARY AGENCY

Miscellaneous Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Last 10 Years*

Fiscal Year Ended June 30, 2018

SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended June 30	Miscellaneous Plan			
	2015	2016	2017	2018
Contractually required contribution (actuarially determined)	\$116,149	\$115,449	\$138,093	\$110,838
Contributions in relation to the actuarially determined contributions	<u>(116,149)</u>	<u>(115,449)</u>	<u>(138,093)</u>	<u>(110,838)</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered-employee payroll	\$1,081,598	\$1,129,322	\$1,139,794	\$1,186,789
Contributions as a percentage of covered-employee payroll	10.74%	10.22%	12.12%	9.34%

Notes to Schedule Contributions

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method Entry-Age Normal Cost in accordance with the requirements of GASB Statement No.68

Actual Assumptions:

Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Investment Rate of Return	7.15% (1)
Mortality	Derived using CalPERS Membership Data for all Funds (2)

(1) Net of pension plan investment expenses, including inflation

(2) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

* Fiscal year 2015 was the first year of implementation, therefore only four years are shown.

BELVEDERE-TIBURON LIBRARY AGENCY
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
For the Year Ended June 30, 2018

Last Ten Fiscal Years *

Other Post-Employment Benefits (OPEB)

Measurement period	<u>June 30, 2017</u>
Total OPEB Liability	
Service Cost	\$29,649
Interest	6,625
Benefit changes	
Differences between expected and actual experience	
Assumption changes	(24,569)
Benefit payments	(2,286)
Changes of benefit terms	
Net change in total OPEB liability	<u>9,419</u>
Total OPEB liability - beginning	<u>203,976</u>
Total OPEB liability - ending	<u><u>\$213,395</u></u>
Covered-employee payroll	<u><u>\$1,129,395</u></u>
Total OPEB liability as a percentage of covered-employee payroll	<u><u>18.9%</u></u>

* Fiscal year 2018 was the first year of implementation; therefore, only one year is shown.

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