



Financial Statements
June 30, 2021

Rancho Mirage Public Library and Observatory Foundation

(A Component Unit of the City of Rancho Mirage, California)

Rancho Mirage Public Library and Observatory Foundation
(A Component Unit of the City of Rancho Mirage, California)

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Independent Auditor's Report

Rancho Mirage Public Library and
Observatory Foundation Board
Rancho Mirage, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the Rancho Mirage Library and Observation Foundation (Foundation), a Component Unit of the City of Rancho Mirage, California as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

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 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 entity'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 entity'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 financial position of the governmental activities and the general fund of the Foundation, as of June 30, 2021, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2022, on our consideration of the Foundation'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 Foundation'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 Foundation's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California

March 25, 2022

Rancho Mirage Public Library and Observatory Foundation
 (A Component Unit of the City of Rancho Mirage, California)
 General Fund Balance Sheet and Statement of Net Position
 June 30, 2021

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Net Position</u> |
|--|---------------------|--------------------|--------------------------------------|
| Assets | | | |
| Cash and investments | \$ 1,541,920 | \$ - | \$ 1,541,920 |
| Restricted cash and cash equivalents | 519,566 | - | 519,566 |
| Interest receivable | 5,417 | - | 5,417 |
| | <u>\$ 2,066,903</u> | <u>\$ -</u> | <u>\$ 2,066,903</u> |
| Liabilities and Fund Balance/Net Position | | | |
| Liabilities | | | |
| Accounts payable | \$ 250 | \$ - | \$ 250 |
| Fund Balance | | | |
| Nonspendable | 519,566 | (519,566) | - |
| Restricted | 318,055 | (318,055) | - |
| Unassigned | 1,229,032 | (1,229,032) | - |
| Net Position | | | |
| Restricted | - | 519,566 | 519,566 |
| Unrestricted | - | 1,547,087 | 1,547,087 |
| | <u>2,066,653</u> | <u>-</u> | <u>2,066,653</u> |
| Total fund balance/net position | <u>2,066,653</u> | <u>-</u> | <u>2,066,653</u> |
| Total liabilities and and fund balance/net position | <u>\$ 2,066,903</u> | <u>\$ -</u> | <u>\$ 2,066,903</u> |

Rancho Mirage Public Library and Observatory Foundation
 (A Component Unit of the City of Rancho Mirage, California)
 Statement of Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities
 June 30, 2021

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|---|---------------------|--------------------|------------------------------------|
| Revenues | | | |
| Operating contributions and grants contributions | \$ 234,128 | \$ - | \$ 234,128 |
| General revenues | | | |
| Interest income | 36,838 | - | 36,838 |
| Total revenues | 270,966 | - | 270,966 |
| Expenditures/Expenses | | | |
| Current | | | |
| General government | 24,625 | - | 24,625 |
| Cultural and recreation | 206,651 | - | 206,651 |
| Total expenditures/expenses | 231,276 | - | 231,276 |
| Net Change in Fund Balance/Net Position | 39,690 | - | 39,690 |
| Fund Balance/Net Position, Beginning of Year | 2,026,963 | - | 2,026,963 |
| Fund Balance/ Net Position, End of Year | \$ 2,066,653 | \$ - | \$ 2,066,653 |

Note 1 - Nature of Organization and Significant Accounting Policies

A. Organization

The Rancho Mirage Public Library and Observatory Foundation (Foundation) is a component unit of the City of Rancho Mirage, California (City) and was created in September 2010 to raise funds on behalf of the Rancho Mirage Public Library (Library). The Foundation was formed pursuant to a Settlement Funds Transfer Agreement with the Friends of the Rancho Mirage Public Library executed in December of 2010. The Foundation is a tax exempt 501 (c) 3 organization. The Board of the Foundation is comprised of individuals that are appointed by the Rancho Mirage City Council.

The Foundation receives public donations and collects membership fees to accomplish the mission of the Foundation.

These basic financial statements present only the activities of the Foundation and are not intended to present the financial position of the City, or the result of its operations. The financial statements of the Foundation are included as a special revenue fund in the City's financial statements.

B. Significant Accounting Policies

The following is a summary of the significant accounting policies of the Foundation:

Financial Statement Presentation – The financial statements include the accounts maintained by and directly under the control of the Foundation. The statement of net position and the statement of activities include all of the financial activities of the Foundation. All of the Foundation's activities are considered governmental in nature; therefore, the Foundation does not report any business-type activities. Governmental activities are typically supported by taxes, intergovernmental revenues and other nonexchange transactions. The general fund is reported on a modified accrual basis of accounting and the governmental activities are reported on an accrual basis of accounting.

Cash and Cash Equivalents – The Foundation considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Restricted cash and cash equivalents are composed of permanently restricted amounts held as an endowment.

Concentration of Credit Risk – Foundation cash is pooled with the City's investment portfolio. The Foundation also holds investments separately from the City's investment portfolio.

Net Position – The Foundation's reports both restricted and unrestricted net position. Restricted net position reflects resources subject to donor restriction. Unrestricted net position represents net position of the Foundation not restricted for any project or other purpose.

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Notes to Financial Statements

June 30, 2021

Fund Balance – Fund balance presented in the governmental fund financial statements represents the difference between assets and liabilities and is classified into the following categories based upon the type of constraints imposed on the use of funds:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted – This classification includes amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for the specific purposes determined by board action by the entity's highest level of decision-making authority (Foundation Board).

Assigned – This classification includes amounts intended to be used by the entity for specific purposes but do not meet the criteria to be classified as restricted or committed. The Rancho Mirage Public Library and Observatory Foundation Board retains the authority to assign fund balance for specific purposes.

Unassigned – This classification is the residual amount for the Foundation's general fund and includes all spendable amounts not contained in the other classifications.

In the Foundation's financial statements, the general fund reports nonspendable fund balance for amounts which are not available for expenditure, restricted fund balance for amounts subject to donor restriction and an unassigned fund balance.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the Foundation's policy is to first apply restricted fund balance. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the Foundation's policy is to first apply committed fund balance, then assigned fund balance, and finally unassigned fund balance. The Foundation applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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

Fair Value Measurements – The Foundation determines the fair market values of certain financial instruments based on the fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

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Notes to Financial Statements

June 30, 2021

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 asset and liabilities may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities may include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and other instruments whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes U.S. Government and agency mortgage-backed debt securities and corporate debt securities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Foundation used the market approach to determine fair value for all investment assets. The Foundation's deposits and withdrawals in the City Investment Pool are made on the basis of \$1 and not fair value. Accordingly, the measurement of the Foundation's investment in the City Investment Pool is based on uncategorized inputs not defined as a Level 1, Level 2, or Level 3 input.

Note 2 - Cash and Investments

Investments are carried at market value. Accordingly, investment income includes both realized and unrealized gains and losses. For additional information on how the Foundation measures fair value, refer to Note 1 Significant Accounting Policies.

Cash and Investments consisted of the following at June 30, 2021:

| | |
|--------------------------------------|---------------------|
| City investment pool | <u>\$ 2,061,486</u> |
| Cash and investments | \$ 1,541,920 |
| Restricted cash and cash equivalents | <u>519,566</u> |
| Total | <u>\$ 2,061,486</u> |

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The Foundation is a voluntary participant in the cash and investment pool managed by the City of Rancho Mirage. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of Rancho Mirage. The City's investment pool is not rated and is not registered with the Securities and Exchange Commission (SEC). The fair value of the Foundation's investment in this pool is reported in the accompanying financial statements at amounts based upon the Foundation's prorata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City. The amount that can be withdrawn is not subject to penalty or restrictions. As of June 30, 2021, the balance held was \$2,061,486.

Restricted cash and cash equivalents and investments represent the donor-imposed restriction balance that is held as the permanently restricted endowment. As of June 30, 2021, the restricted balance was \$519,566.

Note 3 - Endowment

The endowment portfolio is invested in accordance with the Statement of Investment Policy of the City of Rancho Mirage. As of June 30, 2021, the endowment is comprised of \$519,566 of donor imposed restricted funds. This amount is reflected as non-spendable in the accompanying general fund financial statements and as restricted in the accompanying governmental activities financial statements.

The Foundation Board has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as a permanent endowment (a) the original value of gifts donated to the permanent endowment, (b) plus the original value of subsequent gifts to the endowment, and (c) plus accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Endowment fund balance composition as of June 30, 2021, is as follows:

| | <u>Restricted</u> |
|-------------------------------------|-------------------|
| Permanent endowment (non-spendable) | <u>\$ 519,566</u> |

Note 4 - Restrictions of Net Position

Net position was classified as follows for the period ended June 30, 2021:

| | |
|------------------------|---------------------|
| Unrestricted | <u>\$ 1,547,087</u> |
| Restricted - endowment | <u>\$ 519,566</u> |

Note 5 - Explanation of Adjustments Between the Balance Sheet and the Statement of Net Position and Between the Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities

Based on the revenue and expense recognition differences between the modified accrual basis of accounting and the accrual basis of accounting, differences may arise between the balance sheet and the statement of net position and between the statement of revenues, expenditures and changes in fund balance and the statement of activities. As of June 30, 2021, adjustments were reported for the classifications of fund balances and net position.