

# Sonoma County Library

*For the fiscal years ended  
June 30, 2021 and 2020*

## Basic Financial Statements and Independent Auditor's Report



**PISENTI & BRINKER** LLP  
Certified Public Accountants & Advisors

An independently owned member  
RSM US Alliance



**Sonoma County Library  
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## **Independent Auditor's Report**

To the Library Commission  
Sonoma County Library  
Santa Rosa, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Sonoma County Library (the "Library"), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Library'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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 audits 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Library as of June 30, 2021 and 2020, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Independent Auditor's Report (continued)**

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, defined benefit pension plan and other postemployment benefits information, and management's discussion and analysis, 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.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2022 on our consideration of the Library's internal control over financial reporting and 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 Library'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 Library's internal control over financial reporting and compliance.



Santa Rosa, California  
January 31, 2022

## **Management's Discussion and Analysis**

For the Fiscal Years Ended June 30, 2021 and 2020

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As management of the Sonoma County Library (the "Library"), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal years ended June 30, 2021 and 2020.

**Financial Highlights**

- The assets and deferred outflows of resources of the Library exceeded its liabilities and deferred inflows of resources at June 30, 2021 by \$23,517,880 and at June 30, 2020 by \$14,035,451 (net position). The Library's total net position increased by \$9,482,429 for the year ended June 30, 2021 and \$4,054,421 the year ended June 30, 2020.
- As of June 30, 2021, the Library's governmental funds reported combined ending fund balances of \$37,481,192, an increase of \$7,433,446 from the prior year. Approximately 26% or \$9,895,019 is available for spending at the Library's discretion (unassigned fund balance).
- As of June 30, 2020, the Library's governmental funds reported combined ending fund balances of \$30,047,746, an increase of \$2,753,049 from the prior year. Approximately 29% or \$8,656,287 was available for spending at the Library's discretion (unassigned fund balance).
- As of June 30, 2021, the unassigned fund balance for the General Fund was \$9,895,019 or 47% of the total General Fund expenditures for the year ended June 30, 2021.
- As of June 30, 2020, the unassigned fund balance for the General Fund was \$8,656,287 or 38% of the total General Fund expenditures for the year ended June 30, 2020.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

**Government-wide Financial Statements**

The government-wide financial statement portions of this combined reporting format are designed to provide readers with a broad overview of the Library's finances, in a manner similar to the private business sector.

The *statement of net position* presents the Library's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

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

### **Governmental Funds**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Library's funds all fall under the category of governmental funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Library maintains two major governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Measure Y Special Revenue Fund. All of the non-major funds are aggregated and presented in a single column titled "Other Funds."

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found after the basic financial statements section of this report.

**Required Supplementary Information**

Schedules presenting budgetary comparison information for the Library's General Fund and Special Revenue Funds are supplementary information required by generally accepted accounting principles. The budgetary schedules immediately follow the notes to the basic financial statements.

**Government-Wide Financial Statements**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$23,517,880 at the close of the most recent fiscal year.

<b>Summarized Statements of Net Position</b>	<b>As of June 30, 2021</b>	<b>As of June 30, 2020</b>	<b>As of June 30, 2019</b>
Cash and investments	\$ 35,762,654	\$ 28,656,652	\$ 26,019,421
Other assets	3,008,460	2,581,169	2,681,245
Capital assets, net	8,410,539	6,537,862	6,074,831
<b>Total assets</b>	<b>47,181,653</b>	<b>37,775,683</b>	<b>34,775,497</b>
Deferred outflows of resources	5,432,830	6,603,914	6,599,053
Current liabilities	1,289,922	1,190,075	1,405,969
Non-current liabilities	27,144,186	27,635,426	27,926,475
<b>Total liabilities</b>	<b>28,434,108</b>	<b>28,825,501</b>	<b>29,332,444</b>
Deferred inflows of resources	662,495	1,518,645	2,061,076
<b>Net position</b>			
Invested in capital assets	8,184,839	6,537,862	6,074,831
Restricted	22,479,054	17,330,407	14,216,566
Unrestricted (deficit)	(7,146,013)	(9,832,818)	(10,310,367)
<b>Total net position</b>	<b>\$ 23,517,880</b>	<b>\$ 14,035,451</b>	<b>\$ 9,981,030</b>



## Management's Discussion and Analysis

## For the Fiscal Years Ended June 30, 2021 and 2020

Summarized Statements of Activities	For the year ended June 30, 2021	For the year ended June 30, 2020	For the year ended June 30, 2019
<b>Revenues</b>			
Program revenues	\$ 1,304,808	\$ 957,444	\$ 719,819
Property taxes	22,762,356	21,432,739	20,202,823
Sales tax - Measure Y	14,133,034	12,420,713	13,055,614
Investment income, net	57,375	450,771	794,346
Intergovernmental	231,045	378,810	1,277,880
Gain on sale of capital assets	-	23,855	2,963
Other revenue	140,457	92,448	118,373
<b>Total revenues</b>	38,629,075	35,756,780	36,171,818
<b>Expenses</b>			
Personnel	19,309,793	20,920,445	17,669,122
Materials	3,184,146	3,642,353	3,429,594
Depreciation	688,828	611,651	450,338
Other program expenses	5,963,879	6,527,910	6,317,067
<b>Total expenses</b>	29,146,646	31,702,359	27,866,121
Increase in net position	9,482,429	4,054,421	8,305,697
Net position at beginning of year	14,035,451	9,981,030	1,675,333
<b>Net position at end of year</b>	\$ 23,517,880	\$ 14,035,451	\$ 9,981,030

**Governmental Funds***General Fund*

As previously mentioned, the Library uses funds to help control and manage resources for particular purposes. The Library's General Fund reported a fund balance of \$14,925,955 as of June 30, 2021, which is an increase from a balance of \$12,606,511 as of June 30, 2020. Factors in this increase included an increase of \$1,329,617 in property tax revenue and a decrease of \$1,636,226 in salaries and benefits expense. The decrease in salaries and benefits was due to reduced staffing during the COVID-19 pandemic.

The Library's General Fund reported a fund balance of \$12,606,511 as of June 30, 2020, which is a decrease from a balance of \$13,078,131 as of June 30, 2019. The main factor in the decrease was a decrease in intergovernmental revenue. During the fiscal year ended June 30, 2019, the Library recognized \$797,198 in non-recurring state funding to backfill property tax losses from the 2017 wildfires.

Management’s Discussion and Analysis

For the Fiscal Years Ended June 30, 2021 and 2020

*Special Revenue Funds*

The changes in the special revenue funds from year to year were as follows:

1) Measure Y Fund - The Measure Y fund accounts for the revenue and expenses associated with the Sonoma County Library Sales Tax Initiative, a sales tax measure passed in November 2016. Collection of this 1/8 cent sales tax began on April 1, 2017. The Measure Y fund balance increased from \$10,375,942 at June 30, 2019 to \$12,847,246 at June 30, 2020 to \$16,959,979 at June 30, 2021. The large surplus was mainly due to the pandemic’s impact on operations. The Library experienced reduction in library hours and programming and delays in hiring and capital projects.

2) Other Funds - The fund balance in Other funds increased from \$3,840,624 at June 30, 2019 to \$4,593,989 at June 30, 2020 and \$5,595,258 at June 30, 2021. This represents an increase of \$1,001,269 for the year ended June 30, 2021, and an increase of \$753,365 for the year ended June 30, 2020.

**Capital Assets**

The Library’s investment in capital assets as of June 30, 2021 and 2020, amounted to \$8,410,539 and \$6,537,862, respectively (net of accumulated depreciation).

**Library's Capital Assets**

(Net of Depreciation)

<b>June 30,</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Land	\$ 207,000	\$ 207,000	\$ 207,000
Construction in progress	2,185,504	699,664	144,439
Buildings and improvements	3,030,079	3,208,619	3,314,183
Furnishings and equipment	2,663,464	2,057,561	2,182,844
Vehicles	324,492	365,018	226,365
<b>Total capital assets, net</b>	<b>\$ 8,410,539</b>	<b>\$ 6,537,862</b>	<b>\$ 6,074,831</b>

Additional information on the Library’s capital assets can be found in Note E to these financial statements.

## Management's Discussion and Analysis

For the Fiscal Years Ended June 30, 2021 and 2020

**Long-Term Obligations**

Long term obligations are as follows:

June 30,	2021	2020	2019
Compensated absences	\$ 1,660,479	\$ 1,615,286	\$ 1,237,751
Health reimbursement account liability	399,445	285,349	138,686
Capital leases	225,700	-	-
Net pension liability	13,755,146	12,572,232	11,661,498
Net OPEB liability	11,103,416	13,162,559	14,888,540
<b>Total</b>	<b>\$ 27,144,186</b>	<b>\$ 27,635,426</b>	<b>\$ 27,926,475</b>

Highlights of the Library's long-term debt activity are as follows:

- The health reimbursement account liability increased over the two-year period because contributions to the plan exceeded withdrawals. The health reimbursement account liability is offset by restricted assets in the Statements of Net Position.
- The compensated absences liability increased over the two-year period partially due to a decrease in the use of vacation time during the COVID-19 pandemic.
- The Library entered into a new capital lease agreement for equipment purchases during the fiscal year ended June 30, 2021.
- To address the unfunded liability related to other postemployment benefits (OPEB), the Library Commission approved a revised OPEB policy during the 2018-19 fiscal year. Under the new policy, the Library made direct contributions to the OPEB plan. The additional payments of \$2,250,000 during each of the fiscal years ended June 30, 2019 and 2020 and \$750,000 during the fiscal year ended June 30, 2021 reduced the OPEB liability over the past three years. More detailed information about the Library's compensated absences is presented in Notes B and J, the pension liability in Note F, and other post-employment benefits in Note G of the financial statements.

**General Fund Budgetary Highlights**

There were three variances between the budget and actuals in the General Fund that are worth noting for the year ended June 30, 2021. First, the actual property tax revenue received was approximately \$3,485,000 higher than the budgeted amount due to greater than anticipated increases in the assessed value of taxable property. Salaries and benefits were under budget by approximately \$2,365,000 due to unfilled positions. Capital outlay was under budget by approximately \$4,098,000 due to delays in capital projects.

The most significant variance between the budget and actuals in the General Fund for the year ended June 30, 2020 was related to property tax revenue. Actual property tax revenue was \$1,140,000 higher than the budgeted amount due to greater than anticipated increases in the assessed value of taxable property.

**Measure Y (Sales Tax) Budgetary Highlights**

There were a few variances between the budget and actuals in the Measure Y Fund worth noting for the year ended June 30, 2021. Sales tax revenue received was approximately \$4,305,000 greater than anticipated, as consumer spending rebounded from a downturn related to stay-at-home orders during the prior fiscal year. Operating expenditures were under budget by approximately \$1,449,000 due to lower than anticipated spending on books and media, security, and utilities. Capital outlay was over budget by approximately \$1,146,000 mainly due to the refresh and renovation projects at the Petaluma and Roseland branches.

There were a few variances between the budget and actuals in the Measure Y Fund worth noting for the year ended June 30, 2020. Operating expenditures and capital outlay were under budget by approximately \$905,000 and \$2,261,000, respectively.

**Economic Factors and New Year's Budget**

For fiscal year 2021-22, the two major sources of revenue for the Library, property and sales tax, are expected to increase due to positive economic trends. The Library budget includes 3.75 new full-time equivalent positions and an increase to the operating expenditures budget for physical and electronic materials, technology upgrades, outreach and programming, and communications.

**Contacting the Library's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Ann Hammond, Director, 6135 State Farm Drive, Rohnert Park, CA 94928.

## **Basic Financial Statements**

**Sonoma County Library**

**Statements of Net Position**

**June 30, 2021 and 2020**

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and investments	\$ 35,326,630	\$ 28,357,306
Accounts receivable	42,338	83,712
Sales tax receivable	2,749,829	2,275,098
Prepaid items	158,368	164,434
Other assets	57,925	57,925
Restricted cash and investments - flexible savings accounts	34,404	34,040
Noncurrent assets:		
Restricted cash and investments - health reimbursement accounts	401,620	265,306
Capital assets not being depreciated:		
Land	207,000	207,000
Construction in progress	2,185,504	699,664
Capital assets (net of accumulated depreciation):		
Building and improvements	3,030,079	3,208,619
Furnishings and equipment	2,663,464	2,057,561
Vehicles	324,492	365,018
Total capital assets, net	8,410,539	6,537,862
Total assets	47,181,653	37,775,683
<b>Deferred Outflows of Resources</b>		
Deferred pensions	3,751,249	3,441,878
Deferred OPEB	1,681,581	3,162,036
Total deferred outflows of resources	5,432,830	6,603,914
<b>Liabilities</b>		
Accounts payable and accrued liabilities	1,289,922	1,190,075
Noncurrent liabilities:		
Compensated absences	1,660,479	1,615,286
Health reimbursement account liability	399,445	285,349
Capital leases	225,700	-
Net pension liability	13,755,146	12,572,232
Net OPEB liability	11,103,416	13,162,559
Total liabilities	28,434,108	28,825,501
<b>Deferred Inflows of Resources</b>		
Deferred pensions	497,250	1,358,500
Deferred OPEB	165,245	160,145
Total deferred inflows of resources	662,495	1,518,645
<b>Net Position</b>		
Invested in capital assets	8,184,839	6,537,862
Restricted	22,479,054	17,330,407
Unrestricted (deficit)	(7,146,013)	(9,832,818)
<b>Total net position</b>	\$ 23,517,880	\$ 14,035,451

See accompanying Notes to the Basic Financial Statements

Sonoma County Library

Statements of Activities

For the Fiscal Years Ended June 30, 2021 and 2020

<b>Program expenses</b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Personnel	\$ 19,309,793	\$ 20,920,445
Materials	3,184,146	3,642,353
Depreciation	688,828	611,651
Other program expenses	5,963,879	6,527,910
<b>Total program expenses</b>	<b>29,146,646</b>	<b>31,702,359</b>
<b>Program revenues</b>		
Operating grants and contributions	1,207,672	856,589
Charges for fines, fees and services	97,136	100,855
<b>Total program revenues</b>	<b>1,304,808</b>	<b>957,444</b>
<b>Net program expenses</b>	<b>27,841,838</b>	<b>30,744,915</b>
<b>General revenues</b>		
Property taxes	22,762,356	21,432,739
Sales tax - Measure Y	14,133,034	12,420,713
Investment income, net	57,375	450,771
Intergovernmental	231,045	378,810
Gain on sale of capital assets	-	23,855
Other	140,457	92,448
<b>Total general revenues</b>	<b>37,324,267</b>	<b>34,799,336</b>
<b>Increase in net position</b>	<b>9,482,429</b>	<b>4,054,421</b>
<b>Net position at beginning of the year</b>	<b>14,035,451</b>	<b>9,981,030</b>
<b>Net position at end of the year</b>	<b>\$ 23,517,880</b>	<b>\$ 14,035,451</b>

See accompanying Notes to the Basic Financial Statements

**Balance Sheet - Governmental Funds****June 30, 2021**

	Special Revenue Funds			Total Governmental Funds
	General Fund	Measure Y	Other Funds	
<b>Assets</b>				
Cash and investments	\$ 14,937,577	\$14,788,465	\$ 5,600,588	\$35,326,630
Accounts receivable	42,338	-	-	42,338
Sales tax receivable	-	2,749,829	-	2,749,829
Prepaid items	92,185	66,183	-	158,368
Due from other funds	325,701	178,022	-	503,723
Other assets	47,925	-	10,000	57,925
Restricted assets:				
Restricted cash and investments - flexible savings accounts	34,404	-	-	34,404
Restricted cash and investments - health reimbursement accounts	401,620	-	-	401,620
<b>Total assets</b>	<b>\$ 15,881,750</b>	<b>\$17,782,499</b>	<b>\$ 5,610,588</b>	<b>\$39,274,837</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 777,773	\$ 496,819	\$ 15,330	\$ 1,289,922
Due to other funds	178,022	325,701	-	503,723
<b>Total liabilities</b>	<b>955,795</b>	<b>822,520</b>	<b>15,330</b>	<b>1,793,645</b>
<b>Fund balances</b>				
Nonspendable	92,185	66,183	10,000	168,368
Committed:				
Capital improvement	273,657	-	-	273,657
Stabilization fund	4,263,474	-	-	4,263,474
Health reimbursement accounts	401,620	-	-	401,620
Restricted	-	16,893,796	5,585,258	22,479,054
Unassigned	9,895,019	-	-	9,895,019
<b>Total fund balances</b>	<b>14,925,955</b>	<b>16,959,979</b>	<b>5,595,258</b>	<b>37,481,192</b>
<b>Total liabilities and fund balances</b>	<b>\$ 15,881,750</b>	<b>\$17,782,499</b>	<b>\$ 5,610,588</b>	<b>\$39,274,837</b>

See accompanying Notes to the Basic Financial Statements



Sonoma County Library

**Balance Sheet - Governmental Funds**

**June 30, 2020**

	Special Revenue Funds			Total Governmental Funds
	General Fund	Measure Y	Other Funds	
<b>Assets</b>				
Cash and investments	\$ 12,794,310	\$ 10,976,944	\$ 4,586,052	\$ 28,357,306
Accounts receivable	83,712	-	-	83,712
Sales tax receivable	-	2,275,098	-	2,275,098
Prepaid items	63,606	100,828	-	164,434
Due from other funds	325,701	23,907	-	349,608
Other assets	47,925	-	10,000	57,925
Restricted assets:				
Restricted cash and investments - flexible savings accounts	34,040	-	-	34,040
Restricted cash and investments - health reimbursement accounts	265,306	-	-	265,306
<b>Total assets</b>	<b>\$ 13,614,600</b>	<b>\$ 13,376,777</b>	<b>\$ 4,596,052</b>	<b>\$ 31,587,429</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable and accrued liabilities	\$ 984,182	\$ 203,830	\$ 2,063	\$ 1,190,075
Due to other funds	23,907	325,701	-	349,608
<b>Total liabilities</b>	<b>1,008,089</b>	<b>529,531</b>	<b>2,063</b>	<b>1,539,683</b>
<b>Fund balances</b>				
Nonspendable	63,606	100,828	10,000	174,434
Committed:				
Capital improvement	273,657	-	-	273,657
Stabilization fund	3,347,655	-	-	3,347,655
Health reimbursement accounts	265,306	-	-	265,306
Restricted	-	12,746,418	4,583,989	17,330,407
Unassigned	8,656,287	-	-	8,656,287
<b>Total fund balances</b>	<b>12,606,511</b>	<b>12,847,246</b>	<b>4,593,989</b>	<b>30,047,746</b>
<b>Total liabilities and fund balances</b>	<b>\$ 13,614,600</b>	<b>\$ 13,376,777</b>	<b>\$ 4,596,052</b>	<b>\$ 31,587,429</b>

See accompanying Notes to the Basic Financial Statements

**Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position**

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	<b>June 30, 2021</b>
Total fund balances - governmental funds	\$ 37,481,192
Total net position reported in the statement of net position is different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds:	
Capital assets, net	8,410,539
Deferred outflows of resources are reported in the statement of net position but not reported in the governmental funds	
	5,432,830
Deferred inflows of resources are reported in the statement of net position but not reported in the governmental funds	
	(662,495)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Compensated absences	(1,660,479)
Health reimbursement account liability	(399,445)
Capital leases	(225,700)
Net pension liability	(13,755,146)
Net OPEB liability	(11,103,416)
Total net position	\$ 23,517,880

**Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Position**

**June 30, 2020**

Total fund balances - governmental funds	\$ 30,047,746
Total net position reported in the statement of net position is different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds:	
Capital assets, net	6,537,862
Deferred outflows of resources are reported in the statement of net position but not reported in the governmental funds	
	6,603,914
Deferred inflows of resources are reported in the statement of net position but not reported in the governmental funds	
	(1,518,645)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Compensated absences	(1,615,286)
Health reimbursement account liability	(285,349)
Net pension liability	(12,572,232)
Net OPEB liability	(13,162,559)
Total net position	\$ 14,035,451

**Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds**

**For the fiscal year ended June 30, 2021**

	General Fund	Measure Y	Other Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 22,762,356	\$ -	\$ -	\$ 22,762,356
Sales tax - Measure Y	-	14,133,034	-	14,133,034
Fines, fees and services	97,136	-	-	97,136
Investment income, net	26,231	22,710	8,434	57,375
Intergovernmental	231,045	-	-	231,045
Grants and contributions	164,504	-	1,043,168	1,207,672
Other	140,457	-	-	140,457
<b>Total revenues</b>	<b>23,421,729</b>	<b>14,155,744</b>	<b>1,051,602</b>	<b>38,629,075</b>
<b>Expenditures</b>				
Current				
Salaries and benefits	15,687,771	4,024,028	-	19,711,799
Operating	5,199,318	3,898,374	50,333	9,148,025
Capital outlay	215,196	2,346,309	-	2,561,505
<b>Total expenditures</b>	<b>21,102,285</b>	<b>10,268,711</b>	<b>50,333</b>	<b>31,421,329</b>
<b>Excess of revenues over expenditures</b>	<b>2,319,444</b>	<b>3,887,033</b>	<b>1,001,269</b>	<b>7,207,746</b>
<b>Other financing sources</b>				
Capital leases	-	225,700	-	225,700
<b>Net change in fund balances</b>	<b>2,319,444</b>	<b>4,112,733</b>	<b>1,001,269</b>	<b>7,433,446</b>
Fund balances at June 30, 2020	12,606,511	12,847,246	4,593,989	30,047,746
Fund balances at June 30, 2021	\$ 14,925,955	\$ 16,959,979	\$ 5,595,258	\$ 37,481,192

See accompanying Notes to the Basic Financial Statements

**Sonoma County Library**

**Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds**

**For the fiscal year ended June 30, 2020**

	General Fund	Measure Y	Other Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 21,432,739	\$ -	\$ -	\$ 21,432,739
Sales tax - Measure Y	-	12,420,713	-	12,420,713
Fines, fees and services	100,855	-	-	100,855
Investment income, net	167,018	207,769	75,984	450,771
Intergovernmental	371,146	-	7,664	378,810
Grants and contributions	149,826	1,508	705,255	856,589
Other	92,062	-	386	92,448
<b>Total revenues</b>	<b>22,313,646</b>	<b>12,629,990</b>	<b>789,289</b>	<b>35,732,925</b>
<b>Expenditures</b>				
<b>Current</b>				
Salaries and benefits	17,323,997	4,434,789	-	21,758,786
Operating	5,314,290	4,820,050	35,924	10,170,264
Capital outlay	170,834	903,847	-	1,074,681
<b>Total expenditures</b>	<b>22,809,121</b>	<b>10,158,686</b>	<b>35,924</b>	<b>33,003,731</b>
<b>(Deficiency) excess of revenues over expenditures</b>	<b>(495,475)</b>	<b>2,471,304</b>	<b>753,365</b>	<b>2,729,194</b>
<b>Other financing sources</b>				
Sale of capital assets	23,855	-	-	23,855
<b>Net change in fund balances</b>	<b>(471,620)</b>	<b>2,471,304</b>	<b>753,365</b>	<b>2,753,049</b>
Fund balances at June 30, 2019	13,078,131	10,375,942	3,840,624	27,294,697
Fund balances at June 30, 2020	\$ 12,606,511	\$ 12,847,246	\$ 4,593,989	\$ 30,047,746

See accompanying Notes to the Basic Financial Statements

**Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances - Governmental Funds to the Statement of Activities**

**For the fiscal year ended June 30, 2021**

Net change in fund balances - total governmental funds:	\$	7,433,446
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlay (\$2,561,505) exceeded depreciation expense (\$688,288) in the current period.		1,872,677
Certain pension expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		(12,293)
The change in compensated absences reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.		(45,193)
The inception of capital leases provides current financial resources to governmental funds. Payment of capital lease principal is an expenditure in the governmental funds. Neither has any effect on net position.		(225,700)
Certain health reimbursement account expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as an expenditure in governmental funds.		(114,096)
The change in the net obligation for post-employment benefits in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.		573,588
<b>Increase in net position of governmental activities</b>	\$	<b>9,482,429</b>

See accompanying Notes to the Basic Financial Statements

**Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances - Governmental Funds to the Statement of Activities**

**For the fiscal year ended June 30, 2020**

Net change in fund balances - total governmental funds: \$ 2,753,049

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlay (\$1,074,681) exceeded depreciation expense (\$611,651) in the current period. 463,030

Certain pension expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (490,141)

The change in compensated absences reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds. (377,535)

Certain health reimbursement account expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as an expenditure in governmental funds. (146,662)

The change in the net obligation for post-employment benefits in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds. 1,852,680

**Increase in net position of governmental activities** \$ 4,054,421

The notes to the basic financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of the Sonoma County Library as follows:

Note A.	Defining the Financial Reporting Entity
Note B.	Summary of Significant Accounting Policies
Note C.	Stewardship, Compliance and Accountability
Note D.	Cash and Investments
Note E.	Capital Assets
Note F.	Defined Benefit Pension Plan
Note G.	Other Postemployment Benefits
Note H.	Deferred Compensation Plan
Note I.	Commitments
Note J.	Long-Term Obligations
Note K.	Insurance
Note L.	Related Party Transactions
Note M.	Measure Y Sales Tax Revenues
Note N.	Future Governmental Accounting Standards



**Note A. Defining the Financial Reporting Entity**

The Sonoma County Library (the “Library”) is a joint powers agency established between the County of Sonoma (the “County”) and cities in 1975 to provide library service on an equal basis throughout the County. On August 1, 2014, the joint powers agreement (JPA) of the Library was amended. This amendment made changes to the governing body of the Library and ceased the Library’s treatment as a component unit of the County. A full copy of the amended and restated JPA can be found on the Library’s website at [www.sonomacountylibrary.org](http://www.sonomacountylibrary.org).

The Library is now governed by an eleven-member Library Commission (the “Commission”) which includes one appointee of the Sonoma County Board of Supervisors, one appointee each from the cities of Cotati, Cloverdale, Healdsburg, Petaluma, Rohnert Park, Santa Rosa, Sebastopol, and Sonoma, one appointee from the town of Windsor and one appointee jointly elected by the city of Santa Rosa and the Sonoma County Board of Supervisors.

**Note B. Summary of Significant Accounting Policies***Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information on the Library as a whole. The effect of inter-fund activity has been removed from these statements. The Library does not have any activities that are considered business-type activities.

The statement of net position presents the financial condition of the government activities of the Library at year end. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Program expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

During the year, the Library segregates transactions in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at a more detailed level. The focus of governmental fund financial statements is on major funds. The major funds are presented in separate columns. Non-major funds are aggregated and presented in a single column.

**Note B. Summary of Significant Accounting Policies** (continued)*Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The government-wide basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the Library are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Revenues from grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Taxes other than property taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within ninety days of the end of the accounting period. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

The Library reports the following major governmental funds:

**General Fund**

The General Fund is the principal fund of the Library. General tax revenues and other sources of revenue used to finance the fundamental operations of the Library are accounted for in this fund. General operating expenditures are paid from this fund.

**Measure Y Fund**

The Measure Y fund is a major fund that was established after the Sonoma County Library Sales Tax Initiative was passed in November 2016. The 1/8 cent sales tax began on April 1, 2017 and funds are exclusively used to supplement existing funding for Library operations, maintaining and enhancing Library hours and programs, acquisitions, and construction and modernization.

Other special revenue funds of the Library are non-major funds. Other special revenue funds are used to account for specific revenues that are assigned to expenditures for particular purposes.

**Note B. Summary of Significant Accounting Policies** (continued)*Encumbrances*

Encumbrance accounting is employed as needed. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation, is employed in the governmental fund types. Encumbrances outstanding at year-end are reported as reservations of the fund balances and do not constitute expenditures or liabilities because the commitments will be honored during subsequent years.

*Cash and Investments*

The Library's operating cash is pooled with the Sonoma County Treasurer, except for other cash, which consists of petty cash and a payroll clearing account. Restricted cash balances represent amounts held by outside parties for the Library's flexible spending account and health reimbursement accounts. The County Treasurer also acts as disbursing agent for the Library.

Investments are stated at fair value in the statement of net position and the corresponding changes in fair value of investments are recognized in the year in which the change occurred. The fair value of investments is determined quarterly. Realized and unrealized gains or losses and interest earned on pooled investments are allocated quarterly to the appropriate funds based on their respective average daily balance for that quarter.

*Capital Assets*

Capital assets, which include land, buildings, improvements, vehicles, furnishings and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at the estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Capital assets of the Library, except land, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Building improvements	20-30 years
Vehicles	5-10 years
Furnishings and equipment	5 years

**Note B. Summary of Significant Accounting Policies** (continued)*Capital Assets* (continued)

The Library's collection of library books is not capitalized. This collection is unencumbered, held for public exhibition and education, protected, cared for and preserved, and subject to the Library's policy that requires proceeds from the sale of these items to be used to acquire other collection items.

*Compensated Absences*

Library employees are entitled to certain compensated absences based on their length of employment. Employees may accumulate earned vacation benefits that can be accrued up to a maximum of 280 hours per employee based on years of service. Accumulation of vacation time in excess of this limit may be granted upon recommendation of the Director with confirmation by the Commission. Terminated employees are entitled to full payment of unused vacation benefits.

Employees may also accumulate unused sick leave benefits without limit. Accumulated sick leave benefits may convert to compensatory time for up to a maximum of four days determined by a sliding scale based on actual sick days used during the previous year. Employees separated from Library service, for reasons other than disability, may receive payment of 25% of the monetary equivalent of their accumulated unused sick leave benefit, not to exceed 500 hours. Employees separated from Library service due to disability may receive full payment for all unused sick leave. Employees retiring from the Library may choose to receive payment as described above or to have unused sick leave converted to additional service credit as provided by the Public Employees' Retirement System ("PERS").

A liability is calculated for all of the costs of compensated absences based upon benefits earned by employees in the current period for which there is a probability of payment at termination. The salary and related payroll costs used to calculate the liability are those in effect as of the end of the fiscal year. Because vacation and sick leave balances do not require the use of current financial resources, no liability is recorded within the governmental funds. However, this liability is reflected in the government-wide statements of net position.

Compensated absences are generally liquidated by the General Fund.

**Note B. Summary of Significant Accounting Policies** (continued)*Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenues) until that time.

Elements of the Library's employee retirement plan and other postemployment benefit plan qualify for reporting in this category. Refer to Notes F and G for additional information on deferred inflows and outflows of resources.

*Net Position – Government-wide Financial Statements*

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. "Net position invested in capital assets" consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. "Restricted net position" is reported as restricted if the use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. "Unrestricted net position" consists of all other net position that does not meet the definition of the above two components and is available for general use by the Library.

*Fund Balances – Governmental Funds*

Governmental funds report fund balances in specifically defined classifications in accordance with the criteria established by Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Library classifies fund balances into the following five categories:

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

*Restricted fund balance* – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**Note B. Summary of Significant Accounting Policies** (continued)*Fund Balances – Governmental Funds* (continued)

*Committed fund balance* – amounts that can only be used for specific purposes determined by formal action of the Library’s highest level of decision-making authority (the Library Commission) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

*Assigned fund balance* – amounts that are constrained by the Library’s intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.

*Unassigned fund balance* – the residual classification for the Library’s General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

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

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

*Fund Balance Policy*

The Library believes that sound financial management principles require that sufficient funds be retained by the Library to provide a stable financial base at all times. To retain this stable financial base, the Library needs to maintain unrestricted fund balance in its General Fund sufficient to fund cash flows of the Library and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the Library’s fund balance policy is to maintain a prudent level of financial resources to protect against temporary revenue shortfalls or unpredicted one-time expenditures.

The Library’s committed fund balances are comprised of the following:

*Capital improvement* – The Library has adopted a policy to pay for priority projects to expand and/or improve the Library’s services through the maintenance and upgrade of buildings/facilities, the addition of major new technology, or renovation of existing facilities. The funds in this category are determined using the Library’s budget process and are based on its capital improvement plan.

**Note B. Summary of Significant Accounting Policies** (continued)*Fund Balance Policy (continued)*

*Stabilization fund* – The Library has adopted a policy and established a committed fund balance known as the stabilization fund. The stabilization fund is to be no less than 15.0% of the Library’s annual operating expenditures in the current year’s budget. The purpose of the Library’s stabilization fund is (1) to insulate the Library program and service levels from large unanticipated one-time expenditures due to unforeseen circumstances and (2) to temporarily insulate the Library’s programs and service levels from slower revenue growth that typically occurs during an economic recession. The allowable uses of the stabilization fund are as follows:

*Emergency reserves* – Half of the stabilization fund, or 7.5% of the Library’s approved operating expenditures for the current fiscal year, will be used in the case of unforeseen emergencies, including natural and man-made disasters, unanticipated major repairs or replacement of capital assets, or other cases in which the Library is faced with funding a large, unanticipated expenditure. Emergency reserves must begin to be restored during the next budgeted year, and the Library Director shall present a plan for the restoration within three months of its use.

*Counter-cyclical reserves* – The balance of the stabilization fund, or 7.5% of the Library’s approved operating expenditures for the current fiscal year, may be used if the property tax projections fall below the level of the previous year. The reserves may only be used to maintain current expenditure levels and provide bridge financing during the first eighteen months of an economic downturn. Counter-cyclical reserves must begin to be restored within twenty-four months of their first use, and the Library Director shall present a plan for restoration within eighteen months of its use.

*Interfund Transactions*

The following is a description of the basic types of interfund transactions and the related accounting policies:

- 1) Quasi-external (charges for current services) – Transactions for services rendered or facilities provided. These transactions are recorded as revenue in the receiving fund and as expenditures in the disbursing fund.
- 2) Non-operating transfers – Transactions to allocate resources from one fund to another fund not contingent on the incurrence of specific expenditures in the receiving fund. These transactions are recorded as transfers in and out in the same accounting period.

**Note B. Summary of Significant Accounting Policies** (continued)*Property Taxes*

Property taxes, including tax rates, are regulated by the State and are administered locally by the County. The County is responsible for assessing, collecting and distributing property taxes in accordance with state law. The County is also responsible for the allocation of property taxes to the Library. Article XIII of the California Constitution (more commonly known as Proposition 13) limits ad valorem taxes on real property to 1% of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the basis and limits annual increases to the cost of living, not to exceed 2%, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transactions taxes on real property. Local government may impose special taxes (except on real property) with the approval of two-thirds of the qualified electors.

The County has adopted the Teeter Alternative Method of Property Tax Allocation known as the "Teeter Plan." The State Revenue and Taxation Code allows counties to distribute secured real property and supplemental property taxes on an accrual basis resulting in full payment to the Library each fiscal year. Any subsequent delinquent payments and related penalties and interest will revert to the County.

Property taxes are recognized as revenue when they are levied for because they are considered to be both measurable and available. Liens on real property are established January 1 for the ensuing fiscal year. The property tax is levied as of July 1 on all taxable property located in the County. Secured property taxes are due in two equal installments on November 1 and February 1, and are delinquent after December 10 and April 10, respectively. Additionally, supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction. Property tax collection and valuation information is also disclosed in the County of Sonoma Annual Comprehensive Financial Report.



**Note B. Summary of Significant Accounting Policies** (continued)*Sales Tax Revenue and Receivable*

Sales tax receivable represents the sales tax amount allocated to the Library through Measure Y as discussed in Note M, but uncollected at year end. Due to the nature of the sales tax receivable, management does not consider any portion uncollectible.

Sales tax revenues are presented net of administrative assessments by the State Board of Equalization in the amount of \$389,600 and \$563,580 during the fiscal years ended June 30, 2021 and 2020, respectively.

*New Accounting Pronouncements*

The following GASB Statement has been implemented in the current financial statements:

Statement No. 95	<i>Postponement of the Effective Dates of Certain Authoritative Guidance</i>	This Statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides.
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The implementation of this new standard had no effect on the financial statements.

*Rent Expense*

Rent expense for the fiscal years ended June 30, 2021 and 2020 amounted to \$661,358 and \$618,344, respectively.

*Estimates*

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note C. Stewardship, Compliance and Accountability***Budget and Budgetary Accounting*

The Library Commission approves an annual appropriated budget for the General Fund to be effective July 1<sup>st</sup> for the ensuing fiscal year. The Library Director is authorized to transfer budgeted amounts within any character (group of accounts); however, any revisions that alter the total appropriations of any fund must be approved by the Library Commission. Annual appropriations that have not been encumbered lapse at year-end. Budgetary data is presented as required supplementary information.

**Note D. Cash and Investments**

The Library follows the practice of pooling substantially all cash and investments of all funds with the Sonoma County Treasurer except for petty cash, a payroll clearing account, and restricted cash balances related to the flexible spending account and health reimbursement account programs.

*Investment Guidelines and Authorized Investments*

The Library's pooled cash and investments are invested pursuant to investment policy guidelines established by the Sonoma County Treasurer and approved by the Sonoma County Board of Supervisors.

The objectives of the policy are, in order of priority: safety of capital, liquidity, and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

Permitted investments include the following:

- U.S. Treasury and Federal agency securities
- Bonds issued by local agencies
- Registered State warrants and municipal notes
- Negotiable certificates of deposit
- Bankers' acceptances
- Commercial paper
- Medium-term corporate notes
- Local Agency Investment Fund (State Pool) demand deposits
- Repurchase agreements
- Reverse repurchase agreements
- Shares of a mutual fund average life
- Mutual funds and money market mutual funds
- Collateralized mortgage obligations
- Collateralized time deposits
- Joint powers authority pools
- Investment Trust of California (Caltrust)

A copy of the County Investment Policy is available upon request from the Treasurer at 585 Fiscal Drive, Room 100, Santa Rosa, California 95403.

## Notes to the Basic Financial Statements

For the Fiscal Years Ended June 30, 2021 and 2020

**Note D. Cash and Investments (continued)***Investment in County Treasurer's Pool*

Cash and investments as of June 30 are classified in the accompanying statements of net position as follows:

	<u>2021</u>	<u>2020</u>
Investment in Sonoma County Treasury Pool	\$ 35,294,971	\$ 28,325,647
Nonpooled cash and investments:		
Cash on hand	2,205	2,205
Unrestricted	29,454	29,454
Restricted for flexible savings accounts	34,404	34,040
Restricted for health reimbursement accounts	401,620	265,306
	<u>\$ 35,762,654</u>	<u>\$ 28,656,652</u>

As of June 30, 2021 and 2020, the Library's investments in the Treasury Pool managed by the County Treasurer had a weighted average maturity of 749 and 787 days, respectively. The credit rating and other information regarding the Treasury Pool for the fiscal years ended June 30, 2021 and 2020 is disclosed in the County of Sonoma's Annual Comprehensive Financial Report.

The net decrease in fair value of investments by fund included in revenue – investment income for the years ended June 30 is as follows:

	<u>2021</u>	<u>2020</u>
General Fund	\$ (60,545)	\$ (39,358)
Measure Y	(82,938)	(4,321)
Other Funds	(28,019)	(6,097)
	<u>\$ (171,502)</u>	<u>\$ (49,776)</u>

This amount considers all changes in fair value (including purchase and sales) that occurred during the year. The net unrealized gain (loss) on investments held at year end amounted to (\$10,411) and \$161,091 at June 30, 2021 and 2020, respectively. The realized gains and losses from securities matured during the current fiscal year are recognized through the net change in the fair value of the investments held in the Treasury Pool.

**Note D. Cash and Investments (continued)***Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2021 and 2020, the Library had no investments other than the cash and investments pooled with the County Treasury.

*Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code and the County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the state or local governmental unit. California law also allows financial institutions to secure the Library's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The California Government Code also limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

The Library maintains other cash in a financial institution insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). At times, the cash balance may exceed the FDIC insurance coverage amount. Amounts in excess of the FDIC insurance coverage are collateralized. At June 30, 2021 and 2020, the bank balance of cash held by the financial institution did not exceed the FDIC limit.

## Notes to the Basic Financial Statements

For the Fiscal Years Ended June 30, 2021 and 2020

## Note E. Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2021, was as follows:

	July 1, 2020	Increase	Decrease	Transfers & Reclassification	June 30, 2021
Capital assets not being depreciated:					
Land	\$ 207,000	\$ -	\$ -	\$ -	\$ 207,000
Construction in progress	699,664	2,268,130	-	(782,290)	2,185,504
Total capital assets not being depreciated	906,664	2,268,130	-	(782,290)	2,392,504
Capital assets being depreciated:					
Buildings and improvements	4,949,859	-	-	-	4,949,859
Vehicles	458,538	-	-	-	458,538
Furnishings and equipment	4,234,348	293,375	-	782,290	5,310,013
Total capital assets being depreciated	9,642,745	293,375	-	782,290	10,718,410
Less: accumulated depreciation for:					
Buildings and improvements	(1,741,240)	(178,540)	-	-	(1,919,780)
Vehicles	(93,520)	(40,526)	-	-	(134,046)
Furnishings and equipment	(2,176,787)	(469,762)	-	-	(2,646,549)
Total accumulated depreciation	(4,011,547)	(688,828)	-	-	(4,700,375)
Total capital assets being depreciated, net	5,631,198	(395,453)	-	782,290	6,018,035
Total capital assets, net	\$ 6,537,862	\$ 1,872,677	\$ -	\$ -	\$ 8,410,539

Depreciation expense relating to governmental activities amounted to \$688,828 for the year ended June 30, 2021.

## Notes to the Basic Financial Statements

For the Fiscal Years Ended June 30, 2021 and 2020

## Note E. Capital Assets (continued)

Capital asset activity for the governmental activities for the year ended June 30, 2020, was as follows:

	July 1, 2019	Increase	Decrease	Transfers & Reclassification	June 30, 2020
Capital assets not being depreciated:					
Land	\$ 207,000	\$ -	\$ -	\$ -	\$ 207,000
Construction in progress	144,439	610,265	-	(55,040)	699,664
Total capital assets not being depreciated	351,439	610,265	-	(55,040)	906,664
Capital assets being depreciated:					
Buildings and improvements	4,880,357	69,502	-	-	4,949,859
Vehicles	365,169	162,890	(69,521)	-	458,538
Furnishings and equipment	3,947,283	232,025	-	55,040	4,234,348
Total capital assets being depreciated	9,192,809	464,417	(69,521)	55,040	9,642,745
Less: accumulated depreciation for:					
Buildings and improvements	(1,566,174)	(175,066)	-	-	(1,741,240)
Vehicles	(138,804)	(24,237)	69,521	-	(93,520)
Furnishings and equipment	(1,764,439)	(412,348)	-	-	(2,176,787)
Total accumulated depreciation	(3,469,417)	(611,651)	69,521	-	(4,011,547)
Total capital assets being depreciated, net	5,723,392	(147,234)	-	55,040	5,631,198
Total capital assets, net	\$ 6,074,831	\$ 463,031	\$ -	\$ -	\$ 6,537,862

Depreciation expense relating to governmental activities amounted to \$611,651 for the year ended June 30, 2020.

**Note F. Defined Benefit Pension Plan***Plan Description*

The Library contributes to the California PERS (“CalPERS”), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and county ordinance. Copies of CalPERS’ annual financial report may be obtained from its executive office: 400 Q Street, Sacramento, California 95814.

In September 2012, Governor Brown signed the Public Employer Pension Reform Act of 2013 (“PEPRA”). PEPRA went into effect on January 1, 2013. The impact of PEPRA on the Library retirement benefits is that all new employees are mandated into a new tier of CalPERS retirement benefits titled 2.00% at age 62 (PEPRA). As of the June 30, 2020 and 2019 measurement dates, there were 91 and 96 covered employees, respectively, under the 2.0% at 55 (Classic) plan and 123 and 112 covered employees, respectively, under the 2.0% at 62 (PEPRA) plan.

*Funding Policy*

Classic participants are required to contribute 7.00% as of 2021 of their annual covered salary. PEPRA plan participants are required to contribute 8.75% of their annual covered salary. The Library is also required to contribute at an actuarially determined rate. The rates for the fiscal years ended June 30, 2021 and 2020 were 11.17% and 10.69%, respectively, for the annual covered payroll and were established by CalPERS in connection with the June 30, 2018 and 2017 actuarial studies. The contribution requirements of plan members and the Library are established and may be amended by CalPERS.

*Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2021 and 2020, the Library reported \$13,755,146 and \$12,572,232 for its net pension liability. The net pension liability was measured as of June 30, 2020 and 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates.

For the fiscal years ended June 30, 2021 and 2020, the Library recognized pension expense of \$2,580,663 and \$2,975,249, respectively, in the government-wide financial statements. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits.

Notes to the Basic Financial Statements

For the Fiscal Years Ended June 30, 2021 and 2020

**Note F. Defined Benefit Pension Plan** (continued)

*Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* (continued)

At June 30, 2021, the Library reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 688,764	\$ 87,347
Changes in assumptions	-	409,903
Net difference between projected and actual earnings on retirement plan investments	494,115	-
Contributions subsequent to the measurement date	2,568,370	-
	<u>\$ 3,751,249</u>	<u>\$ 497,250</u>

At June 30, 2020, the Library reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 663,422	\$ 306,078
Changes in assumptions	297,536	819,807
Net difference between projected and actual earnings on retirement plan investments	-	232,615
Contributions subsequent to the measurement date	2,480,920	-
	<u>\$ 3,441,878</u>	<u>\$ 1,358,500</u>

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.



Notes to the Basic Financial Statements

For the Fiscal Years Ended June 30, 2021 and 2020

Note F. Defined Benefit Pension Plan (continued)

*Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)*

The \$2,568,370 of deferred outflows of resources related to contributions made subsequent to the measurement date as of June 30, 2021 will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. The \$2,480,920 of deferred outflows of resources related to contributions made subsequent to the measurement date as of June 30, 2020 was recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense (reduction of expense) as follows:

Years Ending June 30,	Amount reported	
	June 30, 2021	June 30, 2020
2021	\$ -	\$ 106,036
2022	(435,978)	(745,617)
2023	446,105	136,466
2024	415,212	105,573
2025	260,290	-
	<u>\$ 685,629</u>	<u>\$ (397,542)</u>

*Actuarial Assumptions*

The total pension liability as of the June 30, 2021 and 2020 reporting dates was determined based on the following actuarial assumptions:

	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020
Reporting date	June 30, 2021	June 30, 2020
Valuation date	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Inflation	2.625%	2.750%
Projected payroll growth	2.875%	3.000%
Investment rate of return	7.250%	7.375%

## Notes to the Basic Financial Statements

For the Fiscal Years Ended June 30, 2021 and 2020

**Note F. Defined Benefit Pension Plan** (continued)*Sensitivity of the Library's Net Pension Liability to Changes in the Discount Rate*

The discount rate used to measure the net pension liability as of the June 30, 2020 and 2019 measurement date was 7.15%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates.

The following table presents the Library's share of the net pension liability calculated as of June 30, 2020 and 2019, the measurement dates, using a discount rate that is 1-percentage point lower (6.15%) or 1-percentage point higher (8.15%) than the current rate:

Plan's Net Pension Liability Measurement Date	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
June 30, 2020	\$ 22,373,094	\$ 13,755,146	\$ 6,503,067
June 30, 2019	20,823,802	12,572,232	5,620,841

**Note G. Other Postemployment Benefits**

In addition to the pension benefits described in Note F, the Library provides other postemployment benefits ("OPEB") for retired employees through the California Employers' Retirement Benefit Trust fund.

*Plan Description*

The Library, through an agent multiple-employer plan, provides health insurance benefits to all career employees who have retired as of July 1, 1983, and thereafter at the same level of benefits as those being provided for current career employees and in accordance with the schedule of payments for the same.

*Benefits Provided*

The Library contributes toward post-retirement benefits for employees who retire under CalPERS and choose medical coverage under plans offered to County of Sonoma employees. The Library pays a portion of the monthly medical premiums, up to a maximum of 80%, 82%, or 84%, depending on the employee's employment tier while working. These percentages are prorated if the retiring employee worked less than full-time. The retired employee is responsible for paying the balance of the premiums. This benefit is provided by Library Commission approval of the employee labor union Memorandum of Understanding (MOU).

**Note G. Other Postemployment Benefits** (continued)

*Benefits Provided* (continued)

Benefits are paid for the lifetime of the retired employee, as long as the retiree remains covered under employer-sponsored health plans and pays their share of the monthly premiums. For employees hired before July 1, 1997, a spouse or domestic partner is also covered. For employees hired between July 1, 1997 and November 5, 2013, a spouse or domestic partner is covered if the retiree worked at least 20 years. For all other retirees, dependents may be covered if the retiree pays the premiums. Benefits for employees hired after November 5, 2013 cease at age 65.

The Library also reimburses covered retirees for Medicare Part B premiums. Retired employees may be covered under the Library’s dental and vision plans, but must pay the entire premium for those coverages.

*Employees Covered by Benefit Terms*

As of the June 30 measurement date, the following employees were covered by the benefit terms:

	2020	2019
Retirees and beneficiaries currently receiving benefits	160	146
Inactive employees or employees currently receiving benefits	96	94
Totals	<u>256</u>	<u>240</u>

*Contributions*

The contribution requirements of OPEB plan members and the Library are established and may be amended by agreement of the Library Commission and employee labor union. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to fund benefits as determined annually by the Library Commission. For the year ended June 30, 2021, the Library contributed \$1,448,121, which includes the current pay-as-you-go portion of the current premium, plus an additional \$750,000. For the year ended June 30, 2020, the Library contributed \$2,898,547 which includes the current pay-as-you-go portion of the current premium, plus an additional \$2,250,000. Total contributions during the fiscal years ended June 30, 2021 and 2020 represented 11.1% and 20.8% of covered payroll, respectively. OPEB plan members receiving benefits are currently not required to contribute.

*Net OPEB Liability*

The Library’s net OPEB liability was measured as of July 1, 2020 and 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuation as of those dates.

Notes to the Basic Financial Statements

For the Fiscal Years Ended June 30, 2021 and 2020

**Note G. Other Postemployment Benefits** (continued)

*Actuarial Assumptions*

The total OPEB liability at June 30, 2021 and 2020 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Inflation	2.75%	2.75%
Salary increases	3.00%	3.00%
Investment rate of return	5.00%	5.00%
Healthcare cost trend rates	4.00%	4.00%

Mortality rates were based off the 2014 CalPERS OPEB Assumptions Model for “public agency miscellaneous” report.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for the June 30, 2021 and 2020 measurement dates are summarized in the following table:

Asset Class	<u>Target Allocation</u>		<u>Long-Term Expected Nominal Rate of Return</u>	
	Reporting Date		Reporting Date	
	June 30,	June 30,	June 30,	June 30,
	2021	2020	2021	2020
Global equity	22%	24%	4.82%	5.25%
Fixed income	49%	39%	1.47%	0.99%
Treasury securities	16%	26%	1.29%	0.45%
Real estate trusts	8%	8%	3.76%	4.50%
Commodities	5%	3%	0.84%	3.90%
Total	100%	100%		

## Notes to the Basic Financial Statements

For the Fiscal Years Ended June 30, 2021 and 2020

## Note G. Other Postemployment Benefits (continued)

*Discount Rate*

The discount rate used to measure the total OPEB liability was five percent. The projection of cash flows used to determine the discount rate assumed that Library contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Changes in the Net OPEB Liability for the fiscal year ended June 30, 2021*

	Increase (Decrease)		
	Total OPEB Liability {a}	Plan Fiduciary Net Position {b}	Net OPEB Liability {a} - {b}
Balances as of June 30, 2020	\$ 17,242,213	\$ 4,079,654	\$ 13,162,559
Changes for the year:			
Service cost	321,377	-	321,377
Interest	862,148	-	862,148
Difference between actual and expected experience	-	-	-
Changes of assumptions	-	-	-
Employer contributions	-	2,898,547	(2,898,547)
Net investment income	-	354,302	(354,302)
Benefit payments	(641,275)	(641,275)	-
Administrative expense	-	(10,181)	10,181
Net changes	542,250	2,601,393	(2,059,143)
Balances at June 30, 2021	\$ 17,784,463	\$ 6,681,047	\$ 11,103,416

## Notes to the Basic Financial Statements

For the Fiscal Years Ended June 30, 2021 and 2020

## Note G. Other Postemployment Benefits (continued)

*Changes in the Net OPEB Liability for the fiscal year ended June 30, 2020*

	Increase (Decrease)		
	Total OPEB Liability {a}	Plan Fiduciary Net Position {b}	Net OPEB Liability {a} - {b}
Balances as of June 30, 2019	\$ 16,441,933	\$ 1,553,393	\$ 14,888,540
Changes for the year:			
Service cost	327,617	-	327,617
Interest	806,614	-	806,614
Difference between actual and expected experience	148,040	-	148,040
Changes of assumptions	137,300	-	137,300
Employer contributions	-	2,869,291	(2,869,291)
Net investment income	-	277,812	(277,812)
Benefit payments	(619,291)	(619,291)	-
Administrative expense	-	(1,551)	1,551
Net changes	800,280	2,526,261	(1,725,981)
Balances at June 30, 2020	\$ 17,242,213	\$ 4,079,654	\$ 13,162,559

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the net OPEB liability of the Library, as well as what the Library's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4 percent) or 1-percentage-point higher (6 percent) than the current discount rate:

Net OPEB Liability Measurement Date	1% Decrease 4.0%	Current Discount Rate 5.0%	1% Increase 6.0%
June 30, 2020	\$ 13,781,522	\$ 11,103,416	\$ 8,933,901
June 30, 2019	15,759,009	13,162,559	11,059,193

Notes to the Basic Financial Statements

For the Fiscal Years Ended June 30, 2021 and 2020

**Note G. Other Postemployment Benefits** (continued)

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

The following presents the net OPEB liability of the Library, as well as what the Library’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3 percent) or 1-percentage-point higher (5 percent) than the current healthcare cost trend rate:

Net OPEB Liability Measurement Date	Healthcare Cost Trend Rate		
	1% Decrease 3.0%	4.0%	1% Increase 5.0%
June 30, 2020	\$ 8,879,580	\$ 11,103,416	\$ 13,838,431
June 30, 2019	11,006,528	13,162,559	15,814,183

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

For the fiscal years ended June 30, 2021 and 2020 the Library recognized OPEB expense of \$874,534 and \$1,045,867, respectively. At June 30, 2021, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 121,124	\$ -
Changes in assumptions	112,336	-
Net difference between projected and actual earnings on OPEB plan investments	-	165,245
Contributions subsequent to the measurement date	1,448,121	-
Total	\$ 1,681,581	\$ 165,245

## Notes to the Basic Financial Statements

For the Fiscal Years Ended June 30, 2021 and 2020

**Note G. Other Postemployment Benefits** (continued)*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB* (continued)

At June 30, 2020 the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ 134,582	\$ -
Changes in assumptions	124,818	-
Net difference between projected and actual earnings on OPEB plan investments	4,089	160,145
Contributions subsequent to the measurement date	2,898,547	-
Total	<u>\$ 3,162,036</u>	<u>\$ 160,145</u>

The \$1,448,121 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2022. The \$2,898,547 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2019 measurement date was recognized as a reduction of the net OPEB liability during the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,	Amount reported June 30, 2021	Amount reported June 30, 2020
2021	\$ -	\$ (12,284)
2022	(24,137)	(12,285)
2023	(25,483)	(13,630)
2024	(25,950)	(14,097)
2025	14,085	25,940
2026	25,940	-
Thereafter	103,760	129,700
	<u>\$ 68,215</u>	<u>\$ 103,344</u>



**Note G. Other Postemployment Benefits** (continued)*Health Reimbursement Account*

For employees hired or rehired after November 6, 2013, the Library recognizes a liability for future qualified post-employment healthcare benefits. Employees hired or rehired after November 6, 2013, are eligible for this benefit. Eligibility is based upon completion of two full years of consecutive regular service with the Library with scheduled hours at least 50% of full-time. Employees earn a prorated share of the benefit up to \$1,200 per year. After an employee has worked the two full years of service an initial accrual is made and there are no further service requirements. Upon retirement from the Library and application for service retirement benefits or disability retirement benefits from CalPERS, participants ages 55 or older may submit claims for reimbursement for eligible expenses.

**Note H. Deferred Compensation Plan**

The Library has established two deferred compensation plans (the “Plans”) created in accordance with California Government Code Section 53212 and Internal Revenue Code Section 457. The Plans permit employees to defer a portion of their salary until future years. Additionally, in lieu of Social Security and in accordance with FICA requirements, the Library uses these Plans to provide a deferred compensation plan for part-time, seasonal and temporary employees who are not eligible for CalPERS. The contribution rates are 4.5% for the employer and 3% for the employee.

The Plans’ assets are held by CalPERS and Nationwide Insurance for the exclusive benefit of the employees and their beneficiaries and, therefore, are not recorded as assets of the Library. Each employee directs the investment of the assets in his or her account.

**Note I. Commitments***Operating Leases*

The Library leases copiers for its branches under an operating lease agreement that expires in 2026. The minimum monthly lease payment for the copiers amounts to approximately \$3,854.

The Library leases space for its Forestville library facility under a 5-year lease which requires minimum monthly lease payments of approximately \$445. Either party may terminate the lease agreement with 120 days' written notice. Additionally, on July 1, 2017, the Library entered into a 5-year lease for its Occidental library facilities. The minimum monthly lease payments amount to \$1,282 for this lease. On May 19, 2019, the Library entered into a 5-year lease for its Roseland library facilities. The minimum monthly lease payments amount to \$8,807 for this lease.

On April 1, 2017, the Library entered into a 6-year lease for an office building in Rohnert Park for its administrative headquarters. The minimum monthly lease payments amount to \$36,197. An October 2019 amendment to the lease expanding the lease office space increased the monthly minimum payments by \$2,865 through September 30, 2023.

Future minimum lease payments under the above referenced operating leases as of June 30, 2021, were as follows:

Years ending June 30,	
2022	\$ 691,620
2023	692,896
2024	349,807
2025	193,269
2026	301,641
Thereafter	46,248
	\$ 2,275,481

Notes to the Basic Financial Statements

For the Fiscal Years Ended June 30, 2021 and 2020

**Note J. Long-Term Obligations**

*Capital Leases*

Capital Lease Obligations:	Maturity Date	Interest Rate	Authorized & Issued	Outstanding June 30, 2021
Today's Business Solutions, Inc.	2025	0.50%	\$ 225,700	\$ 225,700
<b>Total capital lease obligations</b>				<b>\$ 225,700</b>

In November 2020 the Library entered into a lease agreement, as the lessee, for financing the acquisition of equipment. The lease qualifies as a capital lease for accounting purposes and was recorded at the present value of future minimum lease payments at the inception of the lease. The lease matures during the fiscal year ending June 30, 2025.

*Changes in Long-Term Obligations*

A summary of changes in long-term obligations for the governmental activities is as follows:

	Balance July 1, 2020	Increase	Decrease	Balance June 30, 2021	Due Within One Year
Compensated absences	\$ 1,615,286	\$ 45,193	\$ -	\$ 1,660,479	\$ -
Health reimbursement account liability	285,349	114,096	-	399,445	-
Capital leases	-	225,700	-	225,700	56,003
Net pension liability	12,572,232	1,182,914	-	13,755,146	-
Net OPEB liability	13,162,559	-	(2,059,143)	11,103,416	-
<b>Total</b>	<b>\$27,635,426</b>	<b>\$ 1,567,903</b>	<b>\$ (2,059,143)</b>	<b>\$ 27,144,186</b>	<b>\$ 56,003</b>

	Balance July 1, 2019	Increase	Decrease	Balance June 30, 2020	Due Within One Year
Compensated absences	\$ 1,237,751	\$ 377,535	\$ -	\$ 1,615,286	\$ -
Health reimbursement account liability	138,686	146,663	-	285,349	-
Net pension liability	11,661,498	910,734	-	12,572,232	-
Net OPEB liability	14,888,540	-	(1,725,981)	13,162,559	-
<b>Total</b>	<b>\$27,926,475</b>	<b>\$ 1,434,932</b>	<b>\$ (1,725,981)</b>	<b>\$ 27,635,426</b>	<b>\$ -</b>

## Notes to the Basic Financial Statements

For the Fiscal Years Ended June 30, 2021 and 2020

**Note J. Long-Term Obligations (continued)***Debt Service Requirements*

The annual principal and interest requirements on the outstanding long-term obligations as of June 30, 2021 (excluding compensated absences, health reimbursement account liability, net pension liability, and net OPEB liability), are as follows:

*Capital lease obligations*

Fiscal years ending June 30,	Principal	Interest	Total
2022	\$ 56,003	\$ 1,129	\$ 57,132
2023	56,284	848	57,132
2024	56,565	567	57,132
2025	56,848	284	57,132
Total capital leases	\$ 225,700	\$ 2,828	\$ 228,528

**Note K. Insurance**

The Library carries commercial insurance for all significant risks of loss which include public official liability, general liability, property and workers' compensation insurance. The limits of the general liability and automobile coverage are \$1,000,000 per occurrence. The limits of the personal property insurance are \$25,968,316. Deductibles for these perils are \$1,000-\$5,000. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Note L. Related Party Transactions**

During the years ended June 30, 2021 and 2020, the Library contracted with the County of Sonoma for services related to maintaining the Library's general ledger, legal advice, project management, and for access to service yards, accounting services, and fuel. Total expenditures for such services amounted to \$274,180 and \$322,279 for the fiscal years ended June 30, 2021 and 2020, respectively.

**Note M. Measure Y Sales Tax Revenues**

The Measure Y Special Revenue Fund was created in November 2016 with the passage of the Sonoma County Library Maintenance, Restoration and Enhancement Act to account for the related sales tax revenues and expenditures of Measure Y. Measure Y is funded by a one-eighth of one percent (0.125%) sales tax in Sonoma County and created a stable funding source to supplement existing funding for Library operations.

According to the Sonoma County Library Maintenance, Restoration and Enhancement Act, sales tax revenue should be used for the following:

- Maintaining and enhancing Library hours and programs
- Reversing the deterioration in services at existing libraries
- Upgrading and maintaining facilities services and collections throughout the incorporated and unincorporated territory of the County

Notes to the Basic Financial Statements

For the Fiscal Years Ended June 30, 2021 and 2020

Note N. Future Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) has released the following new standards:

Statement No. 87	<i>Leases</i>	Effective for reporting periods beginning after June 15, 2021, this statement better meets the information needs of financial statement users by improving accounting and financial reporting for leases by governments.
Statement No. 92	<i>Omnibus 2020</i>	Effective for the fiscal years beginning after June 15, 2021, this statement enhances comparability in accounting and financial reporting by addressing practices issues that have been identified during the implementation and application of certain GASB statements.
Statement No. 96	<i>Subscription-Based Information Technology Arrangements (SBITA)</i>	Effective for the fiscal years beginning after June 15, 2022, this statement provides guidance on the accounting and financial reporting for subscription-based information technology for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset- an intangible asset- and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, <i>Leases</i> , as amended.

The impact on the basic financial statements of the Library of these pronouncements which have not yet been adopted is unknown at this time.

## **Required Supplementary Information**

Sonoma County Library

**Schedule of Revenues, Expenditures and Changes in Fund Balance-  
Budget and Actual - General Fund**

For the fiscal year ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 19,277,773	\$ 19,277,773	\$ 22,762,356	\$ 3,484,583
Fines, fees and services	123,500	123,500	97,136	(26,364)
Intergovernmental	199,796	199,796	231,045	31,249
Investment income, net	95,000	95,000	26,231	(68,769)
Grants and contributions	33,250	33,250	164,504	131,254
Other	47,500	47,500	140,457	92,957
Total revenues	19,776,819	19,776,819	23,421,729	3,644,910
<b>Expenditures</b>				
Current				
Salaries and benefits	17,442,649	18,053,094	15,687,771	2,365,323
Operating	4,584,300	6,057,208	5,199,318	857,890
Capital outlay	-	4,312,862	215,196	4,097,666
Total expenditures	22,026,949	28,423,164	21,102,285	7,320,879
<b>(Deficiency) Excess of revenues over expenditures</b>	(2,250,130)	(8,646,345)	2,319,444	10,965,789
<b>Other financing sources</b>				
Transfers	2,250,129	2,250,129	-	(2,250,129)
<b>Net change in fund balance</b>	\$ (1)	\$ (6,396,216)	2,319,444	\$ 8,715,660
<b>Fund balance at beginning of year</b>			12,606,511	
<b>Fund balance at end of year</b>			\$ 14,925,955	

See accompanying Notes to the Required Supplemental Information



**Sonoma County Library**

**Schedule of Revenues, Expenditures and Changes in Fund Balance-  
Budget and Actual - General Fund**

**For the fiscal year ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 20,292,391	\$ 20,292,391	\$ 21,432,739	\$ 1,140,348
Fines, fees and services	130,000	130,000	100,855	(29,145)
Intergovernmental	210,312	210,312	371,146	160,834
Investment Income, net	100,000	100,000	167,018	67,018
Grants and contributions	35,000	35,000	149,826	114,826
Other	50,000	50,000	92,062	42,062
Total revenues	20,817,703	20,817,703	22,313,646	1,495,943
<b>Expenditures</b>				
Current				
Salaries and benefits	17,517,728	17,517,728	17,323,997	193,731
Operating	4,749,975	4,749,975	5,314,290	(564,315)
Capital outlay	50,000	50,000	170,834	(120,834)
Total expenditures	22,317,703	22,317,703	22,809,121	(491,418)
<b>(Deficiency) excess of revenues over expenditures</b>	(1,500,000)	(1,500,000)	(495,475)	1,004,525
<b>Other financing sources</b>				
Sale of capital assets	-	-	23,855	23,855
<b>Net change in fund balance</b>	\$ (1,500,000)	\$ (1,500,000)	(471,620)	\$ 1,028,380
<b>Fund balance at beginning of year</b>			13,078,131	
<b>Fund balance at end of year</b>			\$ 12,606,511	

See accompanying Notes to the Required Supplemental Information

**Schedule of Revenues, Expenditures and Changes in Fund Balance-  
Budget and Actual - Measure Y Special Revenue Fund**

**For the fiscal year ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Sales tax - Measure Y	\$ 9,828,000	\$ 9,828,000	\$ 14,133,034	\$ 4,305,034
Investment income, net	11,700	11,700	22,710	11,010
Total revenues	9,839,700	9,839,700	14,155,744	4,316,044
<b>Expenditures</b>				
Current				
Salaries and benefits	3,906,443	4,231,148	4,024,028	207,120
Operating	5,200,835	5,346,919	3,898,374	1,448,545
Capital outlay	1,200,000	1,200,000	2,346,309	(1,146,309)
Total expenditures	10,307,278	10,778,067	10,268,711	509,356
<b>(Deficiency) excess of revenues over expenditures</b>	(467,578)	(938,367)	3,887,033	4,825,400
<b>Other financing sources</b>				
Capital leases	-	-	225,700	(225,700)
Transfers	467,575	467,575	-	467,575
<b>Net change in fund balance</b>	\$ (3)	\$ (470,792)	4,112,733	\$ 4,825,400
<b>Fund balance at beginning of year</b>			12,847,246	
<b>Fund balance at end of year</b>			\$ 16,959,979	

Schedule of Revenues, Expenditures and Changes in Fund Balance-  
Budget and Actual - Measure Y Special Revenue Fund

For the fiscal year ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Sales tax - Measure Y	\$ 12,600,000	\$ 12,600,000	\$ 12,420,713	\$ (179,287)
Investment income, net	15,000	15,000	207,769	192,769
Grants and contributions	-	-	1,508	1,508
<b>Total revenues</b>	<b>12,615,000</b>	<b>12,615,000</b>	<b>12,629,990</b>	<b>14,990</b>
<b>Expenditures</b>				
Current				
Salaries and benefits	5,065,256	5,065,256	4,434,789	630,467
Operating	5,724,744	5,724,744	4,820,050	904,694
Capital outlay	3,165,000	3,165,000	903,847	2,261,153
<b>Total expenditures</b>	<b>13,955,000</b>	<b>13,955,000</b>	<b>10,158,686</b>	<b>3,796,314</b>
<b>(Deficiency) excess of revenues over expenditures</b>	<b>(1,340,000)</b>	<b>(1,340,000)</b>	<b>2,471,304</b>	<b>3,811,304</b>
<b>Net change in fund balance</b>	<b>\$ (1,340,000)</b>	<b>\$ (1,340,000)</b>	<b>2,471,304</b>	<b>\$ 3,811,304</b>
<b>Fund balance at beginning of year</b>			<u>10,375,942</u>	
<b>Fund balance at end of year</b>			<u>\$ 12,847,246</u>	

**Sonoma County Library**

**Schedule of Library Pension Contributions  
Last Ten Fiscal Years<sup>\*\*</sup>**

Reporting date June 30,	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 2,480,920	\$ 2,236,524	\$ 1,869,703	\$ 1,653,431	\$ 1,352,442	\$ 1,195,632	\$ 1,133,492
Contributions in relation to the actuarially determined contribution	(2,480,920)	(2,236,524)	(1,869,703)	(1,653,431)	(1,352,442)	(1,195,632)	(1,133,492)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 12,194,768	\$ 10,607,284	\$ 9,946,268	\$ 8,244,700	\$ 7,818,837	\$ 7,758,220	\$ 7,748,794
Contributions as a percentage of covered payroll	20.34%	21.08%	18.80%	20.05%	17.30%	15.41%	14.63%

\* The required supplementary information is intended to show information for ten years.  
Additional years' information will be displayed as this information becomes available.

**Schedule of Changes in Net Pension Liability and Related Ratios  
Last Ten Fiscal Years\***

Measurement period ended June 30,	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability:</b>							
Service cost	\$ 2,207,253	\$ 1,925,858	\$ 1,807,635	\$ 1,633,193	\$ 1,423,654	\$ 1,442,797	\$ 1,490,945
Interest	5,022,209	4,797,498	4,536,569	4,482,004	4,453,116	4,248,946	4,138,394
Difference between expected and actual experience	303,164	870,741	(349,394)	(1,445,196)	93,423	(1,492,564)	-
Changes in benefit terms	-	-	-	-	-	-	-
Changes in assumptions	-	-	(1,639,615)	3,272,906	-	(911,611)	-
Benefit payments including refunds of employee contributions	(4,312,075)	(3,736,730)	(3,512,652)	(3,387,906)	(3,281,136)	(2,932,286)	(2,743,538)
<b>Net change in total pension liability</b>	<b>3,220,551</b>	<b>3,857,367</b>	<b>842,543</b>	<b>4,555,001</b>	<b>2,689,057</b>	<b>355,282</b>	<b>2,885,801</b>
Total pension liability - beginning	70,989,938	67,132,571	66,290,028	61,735,027	59,045,970	58,690,688	55,804,887
<b>Total pension liability - ending (A)</b>	<b>\$ 74,210,489</b>	<b>\$ 70,989,938</b>	<b>\$ 67,132,571</b>	<b>\$ 66,290,028</b>	<b>\$ 61,735,027</b>	<b>\$ 59,045,970</b>	<b>\$ 58,690,688</b>
<b>Plan fiduciary net position:</b>							
Contributions - employer	\$ 2,480,920	\$ 2,236,524	\$ 1,869,703	\$ 1,653,431	\$ 1,352,442	\$ 1,195,632	\$ 1,133,492
Contributions - employee	1,006,321	869,064	751,451	659,831	578,623	511,408	527,839
Net investment income	2,944,826	3,617,231	4,363,935	5,313,477	277,617	1,134,413	7,419,651
Benefit payments including refunds of employee contributions	(4,312,075)	(3,736,730)	(3,512,652)	(3,387,906)	(3,281,136)	(2,932,286)	(2,743,538)
Plan to plan resource movement	-	-	(129)	-	-	3,532	-
Administrative expense	(82,355)	(39,585)	(81,396)	(70,968)	(29,966)	(55,330)	-
Other miscellaneous income/(expense)	-	129	(154,573)	-	-	-	-
<b>Net change in plan fiduciary net position</b>	<b>2,037,637</b>	<b>2,946,633</b>	<b>3,236,339</b>	<b>4,167,865</b>	<b>(1,102,420)</b>	<b>(142,631)</b>	<b>6,337,444</b>
Plan fiduciary net position - beginning	58,417,706	55,471,073	52,234,734	48,066,869	49,169,289	49,311,920	42,974,476
<b>Plan fiduciary net position - ending (B)</b>	<b>\$ 60,455,343</b>	<b>\$ 58,417,706</b>	<b>\$ 55,471,073</b>	<b>\$ 52,234,734</b>	<b>\$ 48,066,869</b>	<b>\$ 49,169,289</b>	<b>\$ 49,311,920</b>
<b>Plan net pension liability (A)-(B)</b>	<b>\$ 13,755,146</b>	<b>\$ 12,572,232</b>	<b>\$ 11,661,498</b>	<b>\$ 14,055,294</b>	<b>\$ 13,668,158</b>	<b>\$ 9,876,681</b>	<b>\$ 9,378,768</b>
Plan fiduciary net position as a percentage of the total pension liability	<b>81.46%</b>	<b>82.29%</b>	<b>82.63%</b>	<b>78.80%</b>	<b>77.86%</b>	<b>83.27%</b>	<b>84.02%</b>
Covered payroll	\$ 12,194,768	\$ 10,607,284	\$ 9,946,268	\$ 8,244,700	\$ 7,818,837	\$ 7,758,220	\$ 7,748,794
<b>Plan net pension liability as a percentage of covered payroll</b>	<b>112.80%</b>	<b>118.52%</b>	<b>117.24%</b>	<b>170.48%</b>	<b>174.81%</b>	<b>127.31%</b>	<b>121.04%</b>

\* The required supplementary information is intended to show information for ten years. Additional years' information will be displayed as this information becomes available.

**Sonoma County Library**

**Schedule of Library OPEB Contributions  
Last Ten Fiscal Years\***

Reporting date June 30,	2021	2020	2019	2018
Actuarially determined contribution	\$ 2,898,547	\$ 2,869,291	\$ 875,288	\$ 800,044
Contributions in relation to the actuarially determined contribution	(2,898,547)	(2,869,291)	(875,288)	(800,044)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 13,781,601	\$ 13,957,566	\$ 10,583,000	\$ 9,128,000
Contributions as a percentage of covered payroll	21.03%	20.56%	8.27%	8.76%

\* The required supplementary information is intended to show information for ten years. Additional years' information will be displayed as this information becomes available.

**Schedule of Changes in Net OPEB Liability**  
**Last Ten Fiscal Years\***

Measurement period ended June 30,	2020	2019	2018	2017
<b>Total OPEB liability:</b>				
Service cost	\$ 321,377	\$ 327,617	\$ 318,075	\$ 308,811
Interest	862,148	806,614	785,072	765,727
Changes in benefit terms	-	-	-	-
Difference between actual and expected experience	-	148,040	-	-
Changes in assumptions	-	137,300	-	-
Benefits paid to retirees	(641,275)	(619,291)	(725,288)	(650,044)
Net change in Total OPEB liability	<b>542,250</b>	<b>800,280</b>	<b>377,859</b>	<b>424,494</b>
Total OPEB Liability - beginning	17,242,213	16,441,933	16,064,074	15,639,580
Total OPEB Liability - ending (A)	<b>\$ 17,784,463</b>	<b>\$ 17,242,213</b>	<b>\$ 16,441,933</b>	<b>\$ 16,064,074</b>
<b>Plan fiduciary net position:</b>				
Contributions - employer	\$ 2,898,547	\$ 2,869,291	\$ 875,288	\$ 800,044
Net investment income	354,302	277,812	64,629	50,241
Benefits paid to retirees	(641,275)	(619,291)	(725,288)	(650,044)
Administrative expense	(10,181)	(1,551)	(690)	(587)
Net change in plan fiduciary net position	2,601,393	2,526,261	213,939	199,654
Plan fiduciary net position - beginning	4,079,654	1,553,393	1,339,454	1,139,800
Plan fiduciary net position - ending (B)	<b>\$ 6,681,047</b>	<b>\$ 4,079,654</b>	<b>\$ 1,553,393</b>	<b>\$ 1,339,454</b>
Net OPEB liability - ending (A)-(B)	\$ 11,103,416	\$ 13,162,559	\$ 14,888,540	\$ 14,724,620
Plan fiduciary net position as a percentage of the total OPEB liability	<b>37.57%</b>	<b>23.66%</b>	<b>9.45%</b>	<b>8.34%</b>
Covered-employee payroll	\$ 13,781,601	\$ 13,957,566	\$ 10,583,000	\$ 9,128,000
Net OPEB liability as a percentage of covered-employee payroll	<b>80.57%</b>	<b>94.30%</b>	<b>140.68%</b>	<b>161.31%</b>

\* The required supplementary information is intended to show information for ten years. Additional years' information will be displayed as this information becomes available.

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**Notes to the Required Supplementary Information**

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**For the Fiscal Years Ended June 30, 2021 and 2020**

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**Note A. Budgetary Accounting**

Budgetary revenue estimates represent original estimates modified for any authorized adjustment which was contingent upon new or additional revenue sources. Budgetary expenditure amounts represent original appropriations adjusted by budget transfers and authorized appropriation adjustments made during the year. Budgets are adopted on a basis consistent with generally accepted accounting principles.

**Note B. Net Pension Liability and Related Ratios****a) Benefit Changes**

The figures in the Schedule of Changes in Net Pension Liability and Related Ratios do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2019 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

**b) Changes of Assumptions**

In 2018, demographic assumptions and the inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.



## **Compliance**



**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

**Independent Auditor's Report**

Library Commission  
Sonoma County Library  
Santa Rosa, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements as listed in the table of contents of the Sonoma County Library (the "Library") as of and for the years ended June 30, 2021 and 2020, and have issued our report thereon dated January 31, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance with  
*Government Auditing Standards* (continued)**

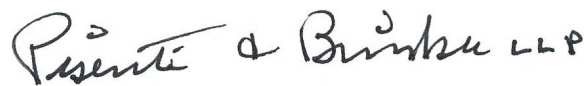
**Independent Auditor's Report (continued)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Santa Rosa, California  
January 31, 2022