San Mateo County Libraries

Agenda Item IV. B.

To:	JPA Governing Board
From:	Anne-Marie Despain, Director of Library Services
	Lindsey Freeland, Financial Services Manager
Date:	February 1, 2022
Meeting:	February 7, 2022
Re:	Financial Audit Report for FY 2020-21

Background

San Mateo County Libraries contract with a qualified independent Certified Public Accountant to annually audit the financial statements from the prior year. An audit of financial statements includes testing of internal controls as well as identification of matters relevant to the Library's responsibility in overseeing financial procedures and reporting.

Discussion

JJACPA, Inc., has completed the audit for the Library's basic financial statements for the year ended June 30, 2021. Attached are their following reports: 1) Communication with those Charged with Governance and Communication of Internal Control Related Matters and 2) Basic Financial Statements for the Year Ended June 30, 2021.

Highlights of the Communication of Internal Control Related Matters are noted below:

- There were no matters uncovered which would require reporting under professional accounting standards about 1) the methods used to account for significant unusual transactions and 2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance.

- There were no identified deficiencies in internal controls considered to be material weaknesses. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

- As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, tests performed of its legal and regulatory compliance disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Highlights of the Basic Financial Statements for the Year Ended June 30, 2021, are noted below:

- The financial statements of the Library have been prepared in conformity with accounting principles generally accepted in the United States. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with GASB Statement No. 34, the Library has selected the single governmental fund (General Fund) presentation since this reflects the most concise and easily readable presentation for the Library's operations.
- At June 30, 2021, the Library's net position increased to $34,694,198 from $33,300,113 in 2020, as shown in the Governmental Funds Balance Sheet/Statement of Net Position on Page 13.
- Operating expenses increased $6,968,939 principally due to the one-time advancement to the Town of Atherton to support construction of their new library (Page 8).
- General revenues increased by $1,495,086 principally from increased secured property taxes and Excess ERAF. Program revenues decreased by $1,895,020 principally due to the Town of Atherton beginning to pay back the JPA's one-time advancement.
- Additionally, the year was marked with a number of significant accomplishments and system improvements reflecting the Library's values and priorities and highlighted on pages 3-5 of the report.

Fiscal Impact

There is no fiscal impact associated with accepting this report.

Recommendation

Recommend Library JPA Governing Board accept the Financial Audit Report for FY 2020-21. Operations Committee members present at the February 1, 2022 meeting concurred with this recommendation.

Attachments

1. Communication with Those Charged with Governance and Communication of Internal Control Related Matters, June 30, 2021
2. Basic Financial Statements for the Year Ended June 30, 2021

SAN MATEO COUNTY LIBRARY JPA

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AND COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS

JUNE 30, 2021

JJACPA, Inc.
A Professional Accounting Services Corp.

January 4, 2021

To the Governing Board
San Mateo County Library
San Mateo, California

We have audited the basic financial statements of the San Mateo County Library as of and for the year ended June 30, 2021, and have issued our report thereon dated January 4, 2021. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 10, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the San Mateo County Library solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

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Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by San Mateo County Library is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2020-21. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are useful lives of capital assets ("useful lives").

Management's estimate of the useful lives is based on experience with and observation of capital assets, by category (e.g. infrastructure) as well as industry standards, when applicable (i.e. buildings). We evaluated the key factors and assumptions used to develop the useful lives and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the San Mateo County Library's financial statements relate to commitments and contingencies.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the San Mateo County Library's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter January 4, 2021.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Findings or Issues

In the normal course of our professional association with the San Mateo County Library, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the San Mateo County Library, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the entity's auditors.

Communication of Internal Control Related Matters

In planning and performing our audit of the financial statements of San Mateo County Library as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered San Mateo County Library 's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of San Mateo County Library 's internal control over financial reporting.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 audit 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.

These communications are intended solely for the information and use of the Governing Board and management of the San Mateo County Library and are not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Joseph J. Arch, CPA

JOSEPH J. ARCH, CPA
President/CEO
JJACPA, INC.

January 4, 2022

JJACPA, Inc.
7080 Donlon Way, Suite 204
Dublin, CA 94568

Dear Mr. Arch:

This representation letter is provided in connection with your audit of the basic financial statements of San Mateo County Library as of June 30, 2020 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of San Mateo County Library in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of January 4, 2022:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated August 10, 2021 for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with GASB Statement No. 62 (GASB-62), Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (FASB Accounting Standards CodificationTM (ASC) 450, Contingencies), and we have not consulted a lawyer concerning litigation, claims, or assessments.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.

- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available is appropriately disclosed and net position is properly recognized under the policy.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
  - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

Information Provided

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- San Mateo County Library has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which San Mateo County Library is contingently liable.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of*

Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
- San Mateo County Library has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

To the best of our knowledge and belief, no events have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Anne-Marie Despain, Director of Library Services

Lindsey Freeland, Financial Services Manager

SAN MATEO COUNTY LIBRARY
JOINT POWERS AUTHORITY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2021

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San Mateo County Library Joint Powers Authority
Basic Financial Statements
For the year ended June 30, 2021

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JJACPA, Inc.
A Professional Accounting Services Corp.

INDEPENDENT AUDITOR'S REPORT

To the Governing Board of the
San Mateo County Library Joint Powers Authority
San Mateo, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the San Mateo County Library Joint Powers Authority (Library), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the Library's June 30, 2020, financial statements in which an unqualified opinion was expressed on those financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Library, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 3-11 and 27 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 4, 2022 on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

JJACPA, Inc.

January 4, 2022

JJACPA, Inc.
Dublin, CA

Management's Discussion and Analysis

This section of the San Mateo County Library Joint Powers Authority's (Library) basic financial statements presents management's discussion and analysis of the Library's financial performance during the fiscal year ended June 30, 2021. Since this management's discussion and analysis is designed to focus on current activities, resulting change, and current known facts, please read it in conjunction with the Library's basic financial statements (pages 13 and 14) and the footnotes (pages 15 - 25).

Financial Highlights & Accomplishments

At June 30, 2021, the Library's net position increased to $34,694,198 from $33,300,113 in 2020, which includes additions of $296,095 and deletions of $15,206 in capital assets, all shown in the Governmental Funds Balance Sheet/Statement of Net Position on Page 13. Additionally, changes to net position resulted from the following items shown in the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statement of Activities on Page 14:

- Operating expenses increased $6,968,939 principally due to the one-time advancement to the Town of Atherton to support construction of their new library ($5,391,725).

- Program revenues increased by $1,895,020 principally due the Town of Atherton beginning to pay back the JPA's one-time advancement ($1,951,424), offset by a decline to other donations and grants. General revenues increased by $1,495,086 principally from increased secured property taxes and Excess ERAF.

The year was marked with a number of significant accomplishments and system improvements reflecting the Library's values and priorities. Some of these include:

Community Impact

- Expanded curbside services to five days a week and began providing walkup services later in the year. As of March 2021, 897,865 checkouts were fulfilled using our Walkup and Curbside Pickup services.

- Reopened our doors to the public on April 22, 2021, after over a year of library closures due to the pandemic.

- Partnered with Calm, a mindfulness app, as their first public library partner, to provide resources for adults and children.

- Introduced Grab & Go bundles to allow patrons to pick up staff-curated bundles or to request personalized bundles. This service put 129,967 books into the hands of our community members.

- Staff participated in a 21-Day Racial and Social Equity Challenge and managers completed a series of three equity trainings. We also engaged a consultant, The Justice Collective, for an organizational equity lens assessment to identify opportunities for growth and action moving forward.

- Hosted one the world's leading experts on unconscious bias, Dr. Jennifer Eberhardt. Over 1,000 community members registered for the event. Additional equity author series programs featured four authors discussing redlining, immigration, education, and the LGBTQIA+ community.

- Provided 23,346 meals to our community, working to combat food insecurity.

Financial Highlights & Accomplishments – continued

- Expanded our online ESL services, engaging 1,802 adult learners in learning experiences.

- Held 232 school outreach events with 7,919 participants.

Exploration and Growth

- The Big Lift 2020 Summer Program adapted to the pandemic environment to provide a half-day, in-person camp to 605 rising kindergarten through 3rd grade students. The STEAM portion of the program was reimagined so families could do activities together from home. Over 850 students were provided with a STEAM kit, including materials and instructions in English and Spanish.

- Offered 8,458 Take and Make to our community as a way to engage young minds. Kits included activities with yarn, puppet making, and even catapult construction.

- Incorporated Raising A Reader, a national evidence-based early literacy and parent engagement program into our collection of services. The program, which is aimed at sustaining literacy routines at home, was born at San Mateo County Libraries decades ago and is currently serving over 4,000 students in 205 classrooms throughout the county.

- The Summer Learning Challenge reached 54,170 youth and, in collaboration with community partners, 82,909 books were given away.

- Launched a new virtual afterschool engineering program, GeneAcademy, in collaboration with Genentech, engaging 100 students throughout the county. Students built literacy skills while learning about various STEAM topics through live hands-on activities. The program was offered to 3rd-5th grade students, targeting youth from the highest need and Big Lift partner schools.

- Worked to ensure every school age child has a library card through the Student Success Project. We successfully worked with the La Honda-Pescadero and San Carlos School Districts to provide all students active cards.

- Re-launched our 3D printing services in November, with 281 projects submitted by patrons.

- Hosted 17 youth authors in schools throughout the county, serving over 3,533 students and giving away over 2,665 books to classrooms. To accompany our adult and equity author series, we gave away 3,770 featured titles at our curbside locations.

Vital Support

- Supported critical community needs throughout the pandemic. Our library champions served as contact tracers, meal providers, and vaccine distribution workers. Staff spent 10,320 hours contact tracing to curb the spread of COVID-19.

Financial Highlights & Accomplishments – continued

- Increased the number of hotspots available to over 1,500 and worked with schools and community partners to ensure those most in need have distance learning support. One partnership with the Sequoia District Adult School enabled us to loan 50 WiFi-Hotspots to their students.

- Hosted Tech Café programming, providing resources and demos to help increase digital literacy on a range of topics, including Library Tools for Students, Using Zoom, and Career Online High. In addition, 573, 45-mintue, one-on-one, tech support sessions were provided through Zoom.

- Launched a new Customer Care service, which was contacted 27,309 times by residents through email, text, and phone. Support was also available in Spanish and Mandarin.

- Provided access to our public printers through our Print Anywhere service, fulfilling over 12,000 print jobs. Patrons printed forms for essential programs, schoolwork, and creative projects.

- Received a grant from the County Office of Community Affairs to assist with coronavirus outreach efforts through programming and events, and digital and print materials.

- Reached over 500 people through 44 work development programs, including a new partnership with the Employment Development Department that provides one-on-one resume assistance.

Inspiring Spaces

- Opened the new, light-filled Brisbane Library in April 2021. The new building meets LEED Silver standards and is designed to be a Zero Net Energy building. The beautiful 7,670 square foot library provides a 50% increase in collection size, and includes new dedicated areas, such as a collaborative makerspace, Community Room, children's space, and History Room.

- The much-anticipated Atherton Library will open in 2022 and include a new one-story, 9,600 square-foot building and the restored historic Town Hall, increasing the total footprint to just under 11,000 square feet. New services will include a digital lab, makerspace, café, and outdoor patios.

- Welcomed the North Fair Oaks Library to our system in March 2021. The transfer followed approval of a new cost-sharing agreement between the JPA and Redwood City. We look forward to working together with them to continue to expand our presence and design services for the community.

Using This Report

In December 1998, the Governmental Accounting Standards Board (GASB) released statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which revised the reporting of property tax revenue. In June 1999, GASB released Statement No. 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*. Changes in Statement No. 34 require a comprehensive presentation for the entity as a whole and conversion of fund based information to this entity wide perspective. The major reconciling items necessary were capitalization and depreciation of capital assets and recording of long-term compensated absences. The Library has selected the single governmental fund (General Fund) presentation since this reflects the most concise and easily readable presentation for the Library's operations.

The annual financial statements include the Independent Auditor's Report, this management's discussion and analysis, the basic financial statements, and notes to basic financial statements and required supplementary information.

Financial Analysis of the Library as a Whole

Net Position
As of June 30, 2021 and 2020

	2021	2020	Increase (Decrease)	Percent Change
Assets:				
Current assets	$ 44,467,508	$ 45,342,237	$ (874,729)	-1.9%
Non-current assets	1,435,225	1,359,075	76,150	5.6%
Total assets	45,902,733	46,701,312	(798,579)	-1.7%
Liabilities				
Current liabilities	10,591,263	12,857,503	(2,266,240)	-17.6%
Non-current liabilities	617,272	543,696	73,576	13.5%
Total liabilities	11,208,535	13,401,199	(2,192,664)	-16.4%
Net position:				
Net investment in capital assets	1,435,225	1,359,075	76,150	5.6%
Unrestricted	33,258,973	31,941,038	1,317,935	4.1%
Total net position	$ 34,694,198	$ 33,300,113	$ 1,394,085	4.2%

This schedule is prepared from the Library's Statement of Net Position (page 13), which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

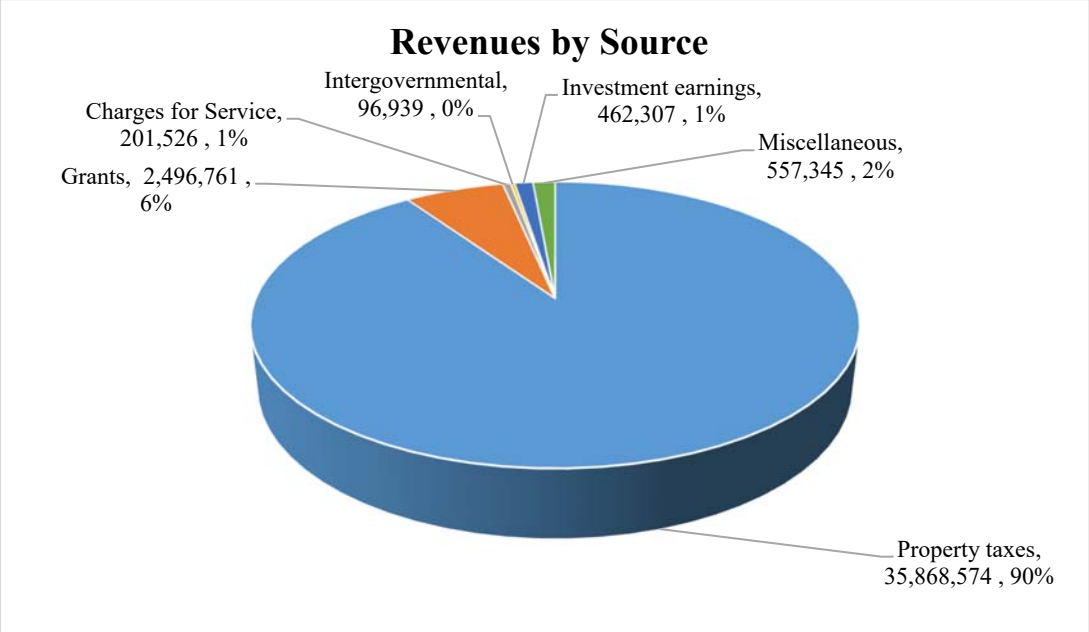
Net position at June 30, 2021, increased to $34,694,198 from $33,300,113 in 2020 primarily due to increases in secured property tax funds, including Excess ERAF. The Library had compensated absences of $617,272 at year-end. Current liabilities consisted of accounts payable with the accompanying sales tax payable as well as accrued payroll for contracted salaries and benefits.

Financial Analysis of the Library as a Whole – continued

	2021	2020	Increase (Decrease)	Percent Change
Operating expenses	$ 38,289,367	$ 31,320,428	$ 6,968,939	22.3%
Program revenue:				
Intergovernmental	96,939	100,230	(3,291)	-3.3%
Grants	2,496,761	486,913	2,009,848	412.8%
Charges for services	201,526	313,063	(111,537)	-35.6%
Total program revenue	2,795,226	900,206	1,895,020	210.5%
Net operating expenses	35,494,141	30,420,222	5,073,919	16.7%
General revenue:				
Property taxes	35,868,574	34,252,270	1,616,304	4.7%
Investment earnings	462,307	555,759	(93,452)	-16.8%
Miscellaneous	557,345	585,111	(27,766)	-4.7%
Total general revenue	36,888,226	35,393,140	1,495,086	4.2%
Increase in net position	1,394,085	4,972,918	(3,578,833)	-72.0%
Net position:				
Beginning of the year	33,300,113	28,327,195	4,972,918	17.6%
End of the year	$ 34,694,198	$ 33,300,113	$ 1,394,085	4.2%

Program revenues increased by $1,895,020 principally due the Town of Atherton beginning to pay back the JPA's one-time advancement ($1,951,424), offset by a decline to other donations and grants. General revenues increased by $1,495,086 principally from increases to secured property taxes and Excess ERAF.

The following is a graphic illustration of revenues by source for the year ended June 30, 2021:



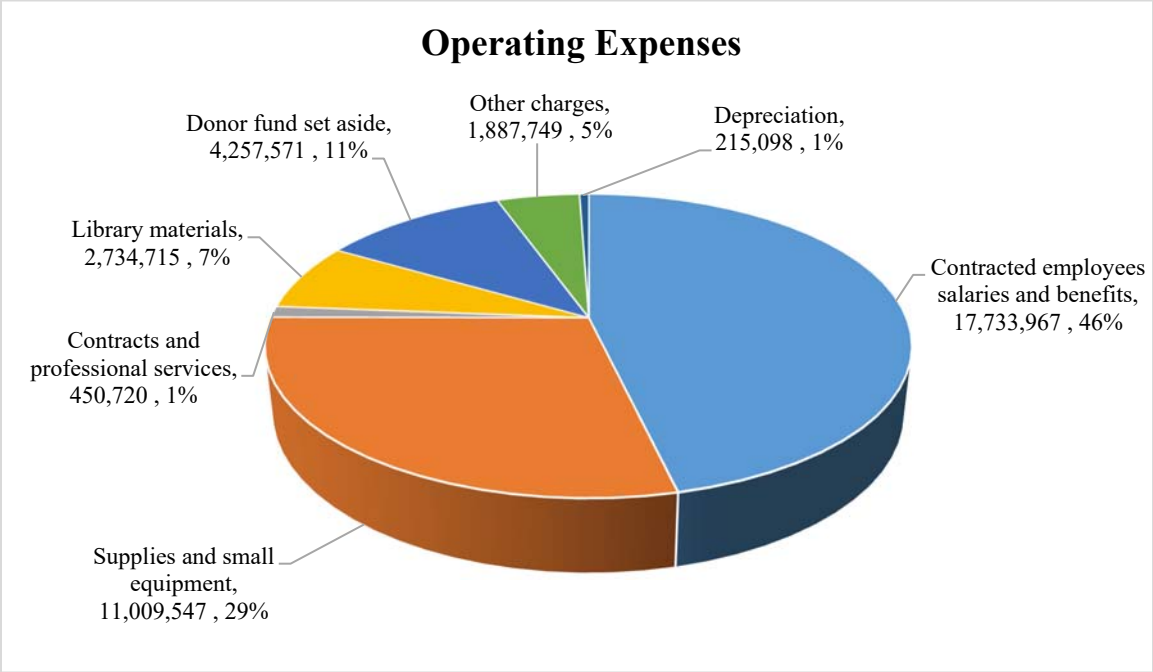
Financial Analysis of the Library as a Whole – continued

Operating Expenses
For the years ended June 30, 2021 and 2020

	2021	2020	Increase (Decrease)	Percent Change
Operating expense:				
Contracted employees salaries and benefits	$ 17,733,967	$ 17,259,616	$ 474,351	2.7%
Supplies and small equipment	11,009,547	5,398,165	5,611,382	103.9%
Contracts and professional services	450,720	576,050	(125,330)	-21.8%
Library materials	2,734,715	2,723,546	11,169	0.4%
Donor fund set aside	4,257,571	3,178,621	1,078,950	33.9%
Other charges	1,887,749	1,995,469	(107,720)	-5.4%
Depreciation	215,098	188,961	26,137	13.8%
Total operating expenses	$ 38,289,367	$ 31,320,428	$ 6,968,939	22.3%
Net investment in capital assets	$ 1,435,225	$ 1,359,075	$ 76,150	5.6%

Operating expenses increased $6,968,939 principally due to the one-time advancement to the Town of Atherton to support construction of their new library ($5,391,725).

The following is a graphic illustration of operating expenses for June 30, 2021:



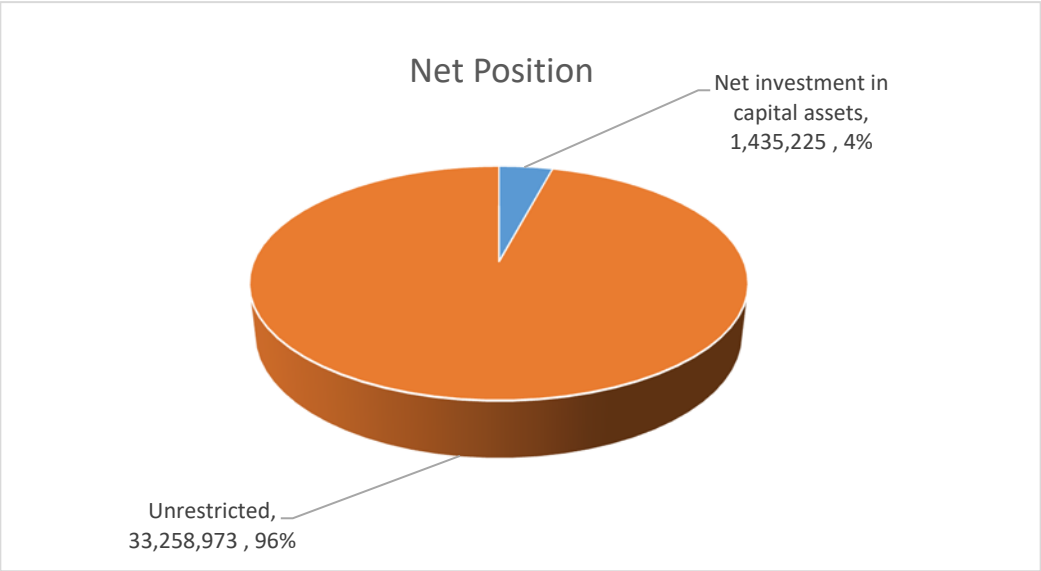
Financial Analysis of the Library as a Whole – continued

Analysis of Net Position
As of June 30, 2021 and 2020

	2021	2020	Increase (Decrease)	Percent Change
Net Position:				
Net investment in capital assets	$ 1,435,225	$ 1,359,075	$ 76,150	5.6%
Unrestricted	33,258,973	31,941,038	1,317,935	4.1%
Total	$ 34,694,198	$ 33,300,113	$ 1,394,085	4.2%

The $1,394,085 increase in net position is primarily due to increases in secured property taxes, including Excess ERAF.

The following is a graphic illustration of net position as of June 30, 2021:



ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the Library budget for fiscal year 2020-2021, the Governing Board and management used the following criteria:

The key assumptions in the revenue forecast were:

Secured property tax revenues are expected to increase at a rate of 3% based on actual receipts in the current year and growth in prices and appraised property values. Library revenue from secured property taxes (taxes assessed against real property) is estimated at $25.8 million, and unsecured taxes (taxes on aircraft and commercial equipment largely generated from businesses at San Francisco International Airport) are estimated at $1.2 million.

Continued State transfer of excess Educational Revenue Augmentation Fund (ERAF) revenue is estimated at $4.6 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - continued

The adopted budget for the new fiscal year 2021-22 was $72,053,116, including reserves of $27,152,280, and is summarized as follows:

	FY 2020-21	FY 2020-21	Increase (Decrease)	Percentage change
Contracted employees salaries and benefits	$ 21,923,337	$ 19,790,444	$ 2,132,893	10.8%
Services and Supplies	17,636,402	20,554,885	(2,918,483)	-14.2%
Other charges	3,618,604	2,162,685	1,455,919	67.3%
Fixed Assets	1,691,506	1,733,396	(41,890)	-2.4%
Other Financing Uses	30,987	15,130	15,857	104.8%
Total budget	$ 44,900,836	$ 44,256,540	$ 644,296	1.5%

1. Contracted employee's salaries and benefits – Shows an increase of 10.8% primarily due to the addition of 12 new positions, including 6 positions to staff our new library, North Fair Oaks, which was transferred to the system in March 2021.

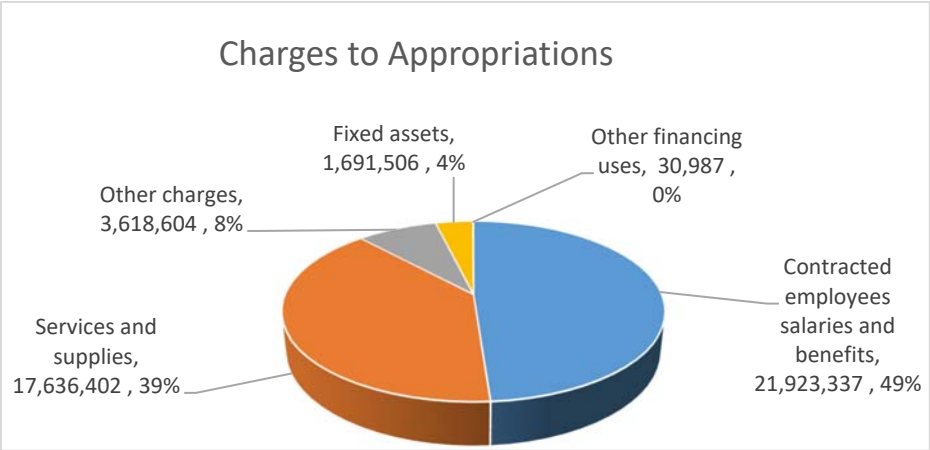
2. Services and Supplies – Shows a decrease of 14.2% primarily due to removing the allocation for the one-time advancement of funds to the Town of Atherton to help finance the construction of their new library.

3. Other charges – Shows an increase of 67.3% primarily due to allocating $1,063,463 of County of San Mateo Measure K funds and $750,000 of Library JPA funds to support construction of a new library in East Palo Alto.

4. Fixed Assets – Shows a decrease of 2.4% due to reduced fixed asset expenditures.

5. Other Financing Uses – Shows an increase of 104.8% primarily due to the addition of North Fair Oaks Library and Central Administration facility surcharges, which are charged by the County of San Mateo as a percent of building rent.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - continued



Contacting the Library

This financial report is designed to provide customers and creditors with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives and is allocated to it. For questions about this report, contact Lindsey Freeland, Financial Services Manager with San Mateo County Libraries, freeland@smcl.org, (650) 312-5236. Inquiries by mail can be sent to the San Mateo County Library Joint Powers Authority, Attention Finance, 125 Lessingia Court, San Mateo, CA 94402.

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San Mateo County Library Joint Powers Authority

Governmental Funds Balance Sheet/Statement of Net Position

June 30, 2021

(With comparative totals for June 30, 2020)

	General Fund	Adjustments (Note 5)	Statement of Net Position	2020
ASSETS				
Cash and investments	$ 39,612,192	$ -	$ 39,612,192	$ 37,660,089
Cash and investments - restricted	4,765,835	-	4,765,835	7,573,476
Interest receivable	89,481	-	89,481	108,672
Capital assets, net of accumulated depreciation	-	1,435,225	1,435,225	1,359,075
Total assets	$ 44,467,508	$ 1,435,225	$ 45,902,733	$ 46,701,312
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and sales tax payable	$ 889,308	$ -	$ 889,308	$ 1,481,499
Other current liabilities	3,897,742	-	3,897,742	3,064,121
Eligible donor fund set aside	4,765,835	-	4,765,835	7,573,476
Accrued payroll	1,038,378	-	1,038,378	738,407
Compensated absences	-	617,272	617,272	543,696
Total liabilities	10,591,263	617,272	11,208,535	13,401,199
Fund balances/Net position:				
Nonspendable	2,070	(2,070)	-	-
Committed	33,874,175	(33,874,175)	-	-
Total fund balances	33,876,245	(33,876,245)	-	-
Total liabilities and fund balances	$ 44,467,508			
NET POSITION				
Net investment in capital assets		1,435,225	1,435,225	1,359,075
Unrestricted		33,258,973	33,258,973	31,941,038
Total net position		$ 34,694,198	34,694,198	33,300,113
Total liabilities and net position			$ 45,902,733	$ 46,701,312

The accompanying notes are an integral part of these financial statements

San Mateo County Library Joint Powers Authority

Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities

For the year ended June 30, 2021

(With comparative totals for the year ended June 30, 2020)

	General Fund	Adjustments (Note 6)	Statement of Activities	2020
EXPENDITURES/EXPENSES:				
Contracted employees salaries and benefits	$ 17,660,391	$ 73,576	$ 17,733,967	17,259,616
Supplies and small equipment	11,033,691	(24,144)	11,009,547	5,398,165
Contracts and professional services	450,720	-	450,720	576,050
Library materials	2,734,715	-	2,734,715	2,723,546
Donor fund set aside	4,257,571	-	4,257,571	3,178,621
Other charges	1,887,749	-	1,887,749	1,995,469
Capital outlay	267,104	(267,104)	-	-
Depreciation	-	215,098	215,098	188,961
Total expenditures/expenses	38,291,941	(2,574)	38,289,367	31,320,428
REVENUES:				
Program revenues:				
Intergovernmental	96,939	-	96,939	100,230
Grants	2,496,761	-	2,496,761	486,913
Charges for services	201,526	-	201,526	313,063
Total program revenues	2,795,226	-	2,795,226	900,206
Net program expenses	35,496,715	(2,574)	35,494,141	30,420,222
General revenues:				
Property taxes	35,868,574	-	35,868,574	34,252,270
Investment earnings	462,307	-	462,307	555,759
Miscellaneous	557,345	-	557,345	585,111
Total general revenues	36,888,226	-	36,888,226	35,393,140
REVENUES OVER (UNDER) EXPENDITURES	1,391,511			
CHANGE IN NET POSITION		2,574	1,394,085	4,972,918
FUND BALANCES/NET POSITION:				
Beginning of the year	32,484,734	815,379	33,300,113	28,327,195
End of the year	$ 33,876,245	$ 817,953	$ 34,694,198	$ 33,300,113

The accompanying notes are an integral part of these financial statements

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The San Mateo County Library Joint Powers Authority (Library) is a Joint Exercise of Powers Agency, which is a library service organization comprised of the cities of Atherton, Belmont, Brisbane, East Palo Alto, Foster City, Half Moon Bay, Millbrae, Pacifica, Portola Valley, San Carlos, and Woodside and the County of San Mateo. The Library was formed on January 11, 1999, under Government Code Section 6500 et. seq. A restated Joint Powers Agreement was approved by the Governing Board and its member agencies and took effect as of May 31, 2004, to clarify various administrative, property, and service issues, which were not included in the original agreement.

The Library is governed by a Board consisting of representatives from each member entity. Oversight responsibility, the ability to conduct independent financial affairs, issue debt instruments, approve budgets, sign contracts, and otherwise influence operations and account for fiscal matters is exercised by the Library's Governing Board. The Library is a separate reporting entity for financial reporting purposes and the accompanying financial statements reflect the assets, liabilities, fund balances/net position, revenues, and expenditures/expenses of the Library only.

The financial statements of the Library have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The following is a summary of the more significant policies:

In accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* the Library has selected the single governmental fund (General Fund) presentation since this reflects the most concise and easily readable presentation for the Library's operations.

A. Reporting Entity

As defined by GASB Statement No. 39, *The Financial Reporting Entity*, the Library is not financially accountable for any other entity other than itself, nor are there any other entities for which the nature and significance of their relationship with the Library are such that exclusion would cause the Library's financial statements to be misleading or incomplete. In addition, based upon the above criteria, the Library is not aware of any entity which would be financially accountable for the Library which would result in the Library being considered a component of the entity.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Basis of Accounting

The fund-based financial statement columns (General Fund column) on Pages 13 and 14 are accounted for using the modified accrual basis of accounting. These fund revenues are recognized when they become measurable and available as net current assets. Measurable means the amount of the transaction can be determined and available means the amount is collectible within the current period or soon enough thereafter (generally sixty days) to be used to pay liabilities of the current period. Amounts, which could not be measured or were not available, were not accrued as revenue in the current fiscal year. The Statements of Net Position and Activities columns on Pages 13 and 14 have been prepared on the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

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

C. Budgets

Budgets are prepared on the modified accrual basis of accounting in which capital assets acquired are recorded as expenditures and depreciation is not recorded.

The legal budget is the same as the operating budget in total. Total expenditures may not exceed the budgeted expenditures without approval of the Library's Governing Board. The budget lapses at the end of each fiscal year.

Estimated revenues and recommended appropriations are shown and supported by detailed documentation at each administrative level within the Library. The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

- By June 30, the Operations Committee reviews and recommends to the Governing Board a proposed operating budget for the year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

- The budget is legally enacted through passage of a motion during a Governing Board meeting prior to year-end.

- The Operations Committee reviews all budget transfers and revisions, which are then approved by the Governing Board.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Budgets – continued

- Formal budgeting is employed as a management control device during the year for the Library's single fund the General Fund.

- Budgets for the General Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

Budgeted amounts are as originally adopted or as amended by the Governing Board. Individual amendments were not material in relation to the original appropriations.

D. Property Taxes

The State of California (State) Constitution Article XIIIA provides that the combined maximum property tax rate on any given property may not exceed one percent (1%) of its assessed value unless an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100% of market value as defined by Article XIIIA and may be adjusted by no more than two percent (2%) per year unless the property is sold, transferred, or improved. The State Legislature has determined the method of distribution of receipts from a one percent (1%) tax levy among the counties, cities, school districts, and other districts.

San Mateo County assesses, bills for, and collects property taxes as follows:

	Secured	Unsecured
Lien dates	January 1	January 1
Levy dates	July 1	July 1
Due dates	50% on November 1 and 50% on March 1	July 1
Delinquent as of	December 10 (for November) and April 10 (for March)	August 31

The term "unsecured" refers to taxes on personal property other than real estate, land, and buildings. These taxes are secured by liens on the property being taxed.

Property taxes levied are recorded as revenue when received in the fiscal year of levy because of the adoption of the "alternate method of property tax distribution," known as the Teeter Plan, by the Library and the County of San Mateo (County). The Teeter Plan authorizes the Controller of the County to allocate 100% of the secured property taxes billed, but not yet paid. The County remits tax monies to the Library in three installments, as follows:

50%	remitted on December 14
40%	remitted on April 16
10%	remitted on June 28

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

E. Cash and Investments

The Library pools cash and investments from all funds for the purpose of increasing income through investment activities. Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Market value is used as fair value for those securities for which market quotations are readily available.

The Library participates directly in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to changes in interest rates.

F. Net Investment in Capital Assets

Capital assets are carried at cost or estimated cost if actual cost was not available. Donated assets are valued at their estimated fair value on the date donated.

Depreciation is calculated on a straight line basis using the following useful life schedule:

Furniture and equipment – 5 to 10 years

2. CASH AND INVESTMENTS

The Library had the following cash and investments at June 30, 2021:

	Not rated	Fair Value
San Mateo County Treasury	$ 37,417,217	$ 37,417,217
San Mateo County Treasury- restricted	4,765,835	4,765,835
California Local Agency Investment Fund (LAIF)	2,192,905	2,192,905
Petty Cash/Change funds	2,070	2,070
Total	$ 44,378,027	$ 44,378,027

Presentation in Statement of Net Position:	
Cash and investments	$ 39,612,192
Cash and investments- restricted	4,765,835
	$ 44,378,027

2. CASH AND INVESTMENTS - continued

A. Cash Deposits

The Library pools cash from all sources. The Library invests excess cash in the San Mateo County Treasury and LAIF investment pools, which at June 30, 2021, approximated fair value of $37,417,217. The Libraries maintain change funds at all of the branches in a range of $50 to $200 per branch and a total of $2,070 overall. The restricted cash and investments balance represents the amount held under the donor city provision.

The California Government Code requires California banks and savings and loan associations to secure government cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral is considered to be held in the government's name.

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the government's cash deposits. California law also allows institutions to secure government deposits by pledging first trust deed mortgage notes having a value of 150% of the government's total cash deposits. The government can waive collateral requirements for cash deposits, which are fully insured up to $250,000 by the Federal Deposit Insurance Corporation. The County has waived these collateralization requirements.

The County Treasurer maintains a cash and investment pool, on behalf of the Library, as their custodian, which includes cash balances and authorized investments for all Library funds, which is invested to enhance interest earnings. The pooled interest earned is allocated quarterly to the Library based on average daily cash and investment balance.

B. Investments

The Library is authorized by State statutes and Governing Board action to invest in the following:

- United States Treasury notes, bonds, bills or certificates of indebtedness.
- Registered state warrants or treasury notes or bonds of the State of California.
- Bonds, notes, warrants or other evidences of indebtedness of any local agency within the State of California.
- Obligations issued by banks and guaranteed by federal agency or United States government-sponsored enterprise.
- Negotiable certificates of deposit or time deposits placed with commercial banks and/or savings and loan companies.
- Banker's acceptances.
- Commercial paper.

2. CASH AND INVESTMENTS - continued

B. Investments – continued

- California Local Agency Investment Fund (LAIF).
- San Mateo County Treasury

The Library's practice has been to limit investments to LAIF and the San Mateo County Treasury, an unrated investment pool, which limits the exposure of Library funds to interest rate and credit risk by treating all balances as current.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method, which includes any adjustments recorded in interest/investment income.

C. Investments in External Investment Pools

The Library's investments with the County at June 30, 2021, included a portion of the pool funds invested in structured notes and asset backed securities and similar transactions. These investments may include the following:

> Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depends on one or more indices and/or that have embedded forwards or options.
>
> Asset-backed Securities, the bulk of which are mortgage-backed securities, entitle their purchaser to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs) or credit card receivables

As of June 30, 2021, the Library had $2,192,905 invested directly in LAIF. The LAIF investment pool consisted of derivative products in the form of asset-backed securities in the amount of $2,772.671 million and $1,700.000 million in floating rate securities, each of these investment types representing 1.21% and 1.10% of the total LAIF investment pool, respectively. The current average life of the LAIF portfolio as of June 30, 2021 was 291 days.

As of June 30, 2021, the Library also had $37,417,217 invested directly in the County investment pool. The County investment pool currently holds $102,976,400 in asset-backed securities, and $50,281,166 in floating rate securities, each of these investment types representing 1.55%, and 0.76%, of the total County investment pool, respectively. The current average maturity of the portfolio is 1.81 years with an average duration of 1.77 years.

3. CAPITAL ASSETS

Changes in capital assets were as follows:

	July 1, 2020	Additions	Retirements	June 30, 2021
Furniture and equipment	$ 2,025,020	$ 296,095	$ (15,206)	$ 2,305,909
Accumulated depreciation	(665,945)	(215,098)	10,359	(870,684)
Total fixed assets	$ 1,359,075	$ 80,997	$ (4,847)	$ 1,435,225

During the fiscal year, the Library added $296,095 and deleted $15,206 in equipment.

4. FUND BALANCES/NET POSITION

Fund Balances consist of the following: Nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance consists of investments that will not convert to cash soon enough to affect the current period. Restricted fund balance consists of resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government. Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action of the Library's highest level of decision-making authority. Assigned fund balance consists of amounts where intent is expressed by the governing body itself or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. Unassigned amounts represent deficits in fund balance as reflected by the necessity to show nonspendable and restricted balances in an amount greater than total fund balance. Currently, the Library uses only the nonspendable and committed categories.

Nonspendable		$ 2,070
Committed for:		
Capital Projects	28,874,175	
Contingencies - Stabilization	5,000,000	33,874,175
		$ 33,876,245

- *Nonspendable:* Represents amounts set aside for petty cash and change funds.
- *Capital Projects:* Represents amounts set aside for future capital purchases.
- *Contingencies – Stabilization*: Represents remaining amounts set aside by the Library's Governing Board to be used in the event of sudden, unanticipated revenue loss or expenditure requirements.

Net position consists of restricted and unrestricted amounts. Restricted amounts reflect balances which cannot be influenced by Library Governing Board action, such as the net investment in capital assets. Unrestricted amounts reflect balances available for current operations.

4. FUND BALANCES/NET POSITION - continued

	Net Position
Net investment in capital assets	$ 1,435,225
Unrestricted	33,258,973
Total	$ 34,694,198

5. EXPLANATION OF DIFFERENCES BETWEEN THE GENERAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION

"Total fund balances" of the Library's General fund ($33,876,245) differs from "net position" of governmental activities ($34,694,198) reported in the Statement of Net Position on page 13. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the General fund balance sheet. The effect of the difference is illustrated below:

Balance Sheet/Statement of Net Position

	General Fund	Reclassifications and Eliminations [1]	Statement of Net Position
Assets:			
Cash and investments	$ 39,612,192	$ -	$ 39,612,192
Cash and investments- restricted	4,765,835	-	4,765,835
Interest receivable	89,481	-	89,481
Capital assets	-	1,435,225	1,435,225
Total assets	$ 44,467,508	$ 1,435,225	$ 45,902,733
Liabilities:			
Accounts payable	$ 889,308	$ -	$ 889,308
Other current liabilities	3,897,742	-	3,897,742
Eligible donor fund set aside	4,765,835	-	4,765,835
Accrued payroll	1,038,378	-	1,038,378
Compensated absences	-	617,272	617,272
Total liabilities	10,591,263	617,272	11,208,535
Fund Balances/Net Position:			
Total fund balances/net position	33,876,245	817,953	34,694,198
Total liabilities and fund balances/net position	$ 44,467,508	$ 1,435,225	$ 45,902,733

[1] When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported in expenditures in governmental funds. However, the statement of net position includes these capital assets among the assets of the Library as a whole. Long-term liabilities such as compensated absences are not due and payable in the current period and therefore they are not reported in the government's fund balance sheets.

6. EXPLANATION OF DIFFERENCES BETWEEN GENERAL FUND OPERATING STATEMENTS AND THE STATEMENT OF ACTIVITIES

The "net change in fund balances" for the General fund $1,391,511 differs from the "change in net position" for governmental activities $1,394,085 reported in the Statement of Activities on page 14. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the General fund. The effect of the difference is illustrated below:

Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities

	General Fund	Reclassifications and Eliminations [1]	Statement of Activities
EXPENDITURES/EXPENSES:			
Contracted employees salaries and benefits	$ 17,660,391	$ 73,576	$ 17,733,967
Supplies and small equipment	11,033,691	(24,144)	11,009,547
Contracts and professional services	450,720	-	450,720
Library materials	2,734,715	-	2,734,715
Donor fund set aside	4,257,571	-	4,257,571
Other charges	1,887,749	-	1,887,749
Capital outlay	267,104	(267,104)	-
Depreciation	-	215,098	215,098
Total expenditures/expenses	38,291,941	(2,574)	38,289,367
REVENUES:			
Program revenues:			
Intergovernmental	96,939	-	96,939
Grants	2,496,761	-	2,496,761
Charges for services	201,526	-	201,526
Total program revenues	2,795,226	-	2,795,226
Net program expense	35,496,715	(2,574)	35,494,141
General revenues:			
Property taxes	35,868,574	-	35,868,574
Investment earnings	462,307	-	462,307
Miscellaneous	557,345	-	557,345
Total general revenues	36,888,226	-	36,888,226
REVENUES OVER (UNDER) EXPENDITURES	1,391,511		
CHANGE IN NET POSITION		2,574	1,394,085
FUND BALANCES/NET POSITION:			
Beginning of the year	32,484,734	815,379	33,300,113
End of the year	$ 33,876,245	$ 817,953	$ 34,694,198

[1] Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. The changes to capital outlay reflect the capitalization of these assets. Additionally, governmental funds report compensated absences as expenditures while governmental activities recognize the long-term nature as a liability, the change to contracted salaries and benefits reflects the change in the long-term compensated absences liability from the prior year.

7. RELATED PARTY TRANSACTIONS

The Library contracts with the County of San Mateo (County) to provide some administrative, accounting, personnel, and facilities maintenance services. Under these arrangements, the Library pays the County the cost of services performed. During the year ended June 30, 2021, the Library paid the County $1,164,523 in services charges. $189,706 for administrative and support services, $202,097 for insurance and $186,284 for facilities maintenance services.

Section VI. D. of the San Mateo County Library JPA Agreement states the following, "In the event that the allocated library service revenue for a member city exceeds the amount required to maintain the minimum library service for that member, such excess funds shall, after deduction of any activities approved by the Governing Board for library related expenditures within that city, be restricted and held by the JPA for library related activities within that member city including but are not limited to, facility maintenance, facility remodeling or expansion, increased service hours, or increased material and equipment purchases, as mutually agreed by the Library JPA and the city council of that member city." In accordance with the excess fund provision, and as approved by the Library JPA Governing Board, at the end of each fiscal year, funds in excess of the amount required to operate a branch are distributed and held by the Library in separate library accounts or Trust Funds. The funds are segregated from the Library's general operating budget where they accrue interest.

The FY 2020-21 excess fund amounts are as follows: Atherton Library $1,951,424, Woodside Library $968,489, San Carlos Library $752,237, and Portola Valley Library $225,592, representing a combined total of $3,897,742. In addition, excess funds for San Carlos of $359,829 that were realized at the end of FY 2019-20 were moved to a San Carlos trust fund during FY 2020-21 once a trust fund was established, for a total excess fund set aside of $4,257,571, as shown as a charge to Excess Fund set aside on the statement of revenues, expenditures and changes in fund balance/statement of activities. In addition, a one-time advancement to the Town of Atherton of $5,391,725 to support construction of a new library, as approved by the JPA Governing Board, was moved into the Atherton trust fund before it was dispersed to the town. As of June 30, 2021, the total held by the Library was $5,880,462. The amounts by library were Atherton Library $10,640, Portola Valley Library $1,173,082, San Carlos Library $1,114,626, and Woodside Library $3,582,114.

As of June 30, 2021, excess County Free Library property taxes with a combined balance of $6,280,453 remain in accounts currently held by each excess fund city and depleted first before accessing any funds held in the Library's Excess Fund City Trust Funds. These amounts are as follows: Atherton Library $6,003,238, Woodside Library $1,365, and Portola Valley Library $275,850.

In order to secure agreement by the Library JPA, member cities that qualify as an excess fund City and are interested in utilizing excess County Free Library property taxes to support public library related activities, provide information to the JPA Governing Board in order to obtain approval for the proposed uses of this revenue for the upcoming fiscal year.

8. PANDEMIC EFFECTS

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The Library JPA is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on the Library JPA's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Library JPA's employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Library JPA's financial position and changes in net position, fund balance and cash flows is uncertain, and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

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REQUIRED SUPPLEMENTARY INFORMATION

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Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary fund balance, July 1, 2018	$ 32,484,734	$ 32,484,734	$ 32,484,734	$ -
Resources (inflows):				
Intergovernmental revenue	367,925	367,925	96,939	(270,986)
Interfund revenue	315,570	315,570	2,496,761	2,181,191
Charges for services	24,000	24,000	201,526	177,526
Taxes	32,914,656	32,914,656	35,868,574	2,953,918
Use of money and property	155,042	155,042	462,307	307,265
Miscellaneous revenue	158,000	158,000	557,345	399,345
Total revenues	33,935,193	33,935,193	39,683,452	5,748,259
Amounts available for appropriation	66,419,927	66,419,927	72,168,186	5,748,259
Charges to appropriations (outflows):				
Salaries and benefits	19,790,444	19,790,444	17,660,391	2,130,053
Supplies and small equipment	7,123,364	7,123,364	11,033,691	(3,910,327)
Contracts and professional services	2,813,410	2,813,410	450,720	2,362,690
Library materials	4,306,687	4,306,687	2,734,715	1,571,972
Donor fund set aside	6,351,554	6,351,554	4,257,571	2,093,983
Other charges	2,137,685	2,137,685	1,887,749	249,936
Capital outlay	1,733,396	1,733,396	267,104	1,466,292
Total charges to appropriations	44,256,540	44,256,540	38,291,941	5,964,599
Budgetary fund balance, June 30, 2019	$ 22,163,387	$ 22,163,387	$ 33,876,245	$ 11,712,858

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JJACPA, Inc.
A Professional Accounting Services Corp.

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

To the Governing Board of the
San Mateo County Library Joint Powers Authority
San Mateo, California

We have audited, in accordance with the auditing standard generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of San Mateo County Library Joint Powers Authority (Library) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated January 4, 2022.

Internal Control over Financial Reporting

In planning and performing our audit 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control 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 entity'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 the 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 audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that we have not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free from 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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JJACPA, Inc.

January 4, 2022

JJACPA, Inc.
Dublin, CA