



San Mateo
County
Libraries

San Mateo County Libraries
REQUEST FOR PROPOSALS

FOR

Professional Auditing Services

Release date: May 1, 2024

Responses due: May 29, 2024 by 5:00 p.m.

SAN MATEO COUNTY LIBRARIES

REQUEST FOR PROPOSALS

PROFESSIONAL AUDITING SERVICES

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Statement of Intent

San Mateo County Libraries Joint Powers Authority ("Library JPA") seeks proposals from qualified certified public accounting firms in response to this Request for Proposals to conduct an annual independent audit of the Library JPA's financial statements, beginning in the fiscal year ending June 30, 2024, for three years, with the option of extending the agreement an additional two years. The audit shall be in accordance with public entity accounting principles generally accepted in the United States and California and applicable laws and regulations.

Nature of Services Required

A) Scope of Work to be Performed

The selected independent auditor will be required to perform the following tasks:

1. The audit firm will perform an annual independent audit of the Library JPA's financial statements of the governmental activities, each major fund, and the budgetary comparison, as well as the related notes to the financial statements, which collectively comprise the basic financial statements, and express an opinion on the fairness of the presentation of the basic financial statements. The audit firm will also apply limited audit procedures to Management's Discussion and Analysis (MD&A) and required supplementary information. The audit will be conducted in accordance with the auditing standards generally accepted in the United State and California and applicable laws and regulations. The audit firm shall also be required to provide an opinion on the Library JPA's compliance with current and applicable GAAP and applicable GASB statements.

The audit firm shall communicate in writing such matters related to control deficiencies identified during the audit that are considered significant deficiencies or material weaknesses, including matters that were communicated in pervious audits that have not yet been remediated. The audit firm shall also communicate significant matters related to the audit that are relevant in overseeing the financial reporting process. A letter indicating no material weaknesses or areas for improvement would be required if no findings exist.

2. If the Library JPA hits the Single Audit threshold, the audit firm will perform a Single Audit on the expenditures of federal grants to meet the minimum requirements for financial and compliance audits as prescribed by the Office of Management and Budget Circular A-133.
3. At the end of each annual audit, the audit firm shall prepare, edit, and, after providing the Library JPA the opportunity to review, issue the following three separate reports:
 - a. Basic Financial Statements – San Mateo County Library Joint Powers Authority
 - b. Required Communications Report
 - c. Single Audit Act Opinions, if applicable

4. The audit firm shall prepare and, after providing the Library JPA the opportunity to review, electronically submit the Annual State Controller's Special Districts' Financial Transactions Report for the Library JPA within the deadlines established by the State Controller's Office. The Library JPA will sign and submit the physical cover letter confirming submission.
5. On an as-needed basis at the request of the Library JPA, the audit firm will assist with implementation of GASB pronouncements and provide ongoing consultancy for pertinent questions. The audit firm will invoice the Library JPA each month for services provided.

B) Auditing Standards to be Followed

To meet the requirements of this RFP, the audit shall be performed in accordance with:

- 1) Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants;
- 2) The standards applicable to financial audits contained in Government Auditing Standards (1994 Revision), issued by the Comptroller General of the United States;
- 3) The provisions of the Single Audit Act as amended in 1996; and
- 4) The provisions of U. S. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments and Non-Profit Organizations.

C) Working Paper Retention

All working papers and reports must be retained at the auditor's expense for a minimum of five (5) years, unless the firm is notified in writing by the Library JPA of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designee: Library JPA; County of San Mateo; parties designated by the Federal or State governments or by the Library JPA as part of an audit quality review process; auditors or entities of which the Library JPA is a sub-recipient of grants; and State of California, Office of the State Controller.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

D) Irregularities and Illegal Acts

Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to the Director of Library Services. Auditor's role shall include seeking to deter fraud, abuse, and other breaches of public trust by assessing controls for existing or proposed functions; assessing organizational or audit-specific risks; and reviewing proposed changes to existing laws, rules, and implementation procedures.

Deliverables

- 1) At the end of each annual audit, the audit firm shall issue the following separate reports:
 - a. Basic Financial Statements – San Mateo County Library Joint Powers Authority
 - b. Required Communications Report
 - c. Single Audit Act Opinions, if applicable

- 2) Draft Reports by November 30

The Library JPA Operations Committee and Governing Board reviews and accepts the Basic Financial Statements and Required Communications Report of the previous fiscal year in late January. The audit firm selected will be available to perform the audit, including all field work, to complete a draft report no later than November 30 to allow sufficient time for review.

- 3) Audit Schedule Two Months Prior to Field Work

The auditor firm will be responsible for providing a schedule of the audit with an appropriate timeline to meet the November 30 deadline two months before the field work will commence. The audit schedule will detail what information Library JPA staff will need to prepare and provide.

- 4) Attendance at Operations Committee and Governing Board Meetings

The auditing firm will attend both the Library JPA Operations Committee and Governing Board meetings in late January or early February to answer any questions that may arise from the audit. These meetings take place on two different days and the time commitment is approximately thirty minutes for each meeting. Attendance will be either virtual or in-person at one of the Library JPA facilities or its members' facilities, as required by the Library JPA.

- 5) Submission of Annual State Controller's Special Districts' Financial Transactions Report

The auditing firm will prepare the Annual State Controller's Special Districts' Financial Transactions Report in advance of the deadline established by the State Controller's Office to provide the Library JPA at least two weeks to review. The auditing firm will then electronically submit the report. The Library JPA will sign and submit the physical cover letter confirming submission.

- 6) Assist the JPA in any audit by the State pursuant to Government Code section 8546.7.

Library staff and responsible management personnel will be available during the audit to assist the auditor by providing information, documentation, and explanations. Library staff will also put the auditor in contact with appropriate staff in the County Controller's and Treasurer's Office as needed. If needed, the auditor will be provided with reasonable workspace, access to telephones and internet, and photocopying, for use in connection with work as described in this RFP.

Other Background

The Library JPA operates thirteen community libraries, a Bookmobile, a Makermobile, and an administrative facility. Established in 1912 as a Special District County Free Library governed by the County Board of Supervisors, in 1999, the Joint Powers Authority was formed and is comprised of the cities of Atherton, Belmont, Brisbane, East Palo Alto, Foster City, Half Moon Bay, Millbrae, Pacifica, Portola Valley, San Carlos, Woodside, and the County of San Mateo. The Library JPA is governed by a board consisting of representatives from each member entity. Oversight responsibility, the ability to conduct independent financial affairs, approve budgets, sign contracts, and otherwise influence operations and account for fiscal matters is exercised by the Governing Board.

San Mateo County Libraries has 153 full and part-time permanent staff members and approximately 175 extra-help seasonal staff. Under the terms of the Library JPA Agreement, staff are County employees. The Library JPA's fiscal year begins on July 1st and ends on June 30th. More detailed information about the Library JPA can be found on our webpage at smcl.org (select About Us, Organization, JPA Governing Board).

A) Finance Operations Overview

The Finance Division is overseen by a Financial Services Manager and is staffed by one Accountant and one Fiscal Office Specialist. Functions of the division include accounts receivable, accounts payable, general ledger, budgeting, and financial reporting. The Library JPA utilizes the County of San Mateo accounting software, OFAS, and all Library JPA transactions are routed through the County Controller for final review before posting and therefore comply with required County procedures. Scanned records are stored electronically in the County system. The Library JPA budget uses a General Fund and Capital Reserve Fund and prepares its budgets on a modified accrual basis.

B) Availability of Prior Audit Reports

JJACPA has conducted the Library JPA's most recent audits. The financial statements and reports by the previous auditor can be reviewed by the successful proposer. The most recent financial statement is also attached to this RFP as reference in Attachment B.

Request for Proposals Schedule of Events

The Request for Proposals (RFP) schedule represents the best estimate of the timeline that shall be followed. The Library JPA reserves the right, at its sole discretion to adjust this schedule as it deems necessary.

1.	Library Issues RFP	May 1, 2024
2.	Deadline for Comments	May 8, 2024
3.	Library Issues Responses to Comments	May 13, 2024
4.	Deadline for Submitting a Proposal	May 29, 2024
5.	Library Completes RFP Proposal Evaluation	June 30, 2024
6.	Anticipated Contract Start Date	July 1, 2024

Contract Duration

The Library JPA intends to enter into a three-year (3) year contract beginning in 2024. Providing that both parties agree, this Agreement shall be renewable for two (2) additional years, under the same terms and conditions. Said renewals shall be upon written letter agreement signed by the Contractor and the Library Director. The form of contract the prevailing proposer must be willing to execute is attached hereto as Attachment A.

Submitting a Project Proposal

This RFP seeks the submission of proposals to provide services from any and all interested and qualified proposers. Proposers must be able to show that they are capable of performing the services requested. Such evidence includes, but is not limited to, the respondent's demonstrated competency and experience in delivering services of a similar scope and type.

By submitting a proposal, each proposer certifies that its submission is not the result of collusion or any other activity which would tend to directly or indirectly influence the selection process. The proposal will be used to determine the proposer's capability of rendering the services to be provided. The failure of a proposer to comply fully with the instructions in this RFP may eliminate its proposal from further

evaluation as determined at the sole discretion of the Library JPA. The Library JPA reserves the sole right to evaluate the contents of proposals submitted in response to this RFP and to select a contractor, if any.

If changes to the RFP are warranted, they will be made in writing, clearly marked as addenda to the RFP, and posted to the website (**smcl.org**). It is the responsibility of each proposer to check the website (**smcl.org**) for changes and/or clarifications to the RFP prior to submitting a response. A proposer's failure to do so will not provide a ground for protest.

Costs for developing proposals are entirely the responsibility of the proposer and shall not be charged to the Library JPA or otherwise reimbursed by the Library JPA. The RFP and all materials submitted in response to this RFP will become the property of the Library JPA.

Project proposals must be received by San Mateo County Libraries by May 29, 2024 at 5:00 pm PDT. Please refer to "Proposal Submission Requirements" for additional instruction. Proposals should be delivered via email: Lindsey Freeland, Financial Services Manager, freeland@smcl.org.

Proposals received late will not be opened or given any consideration for the proposed services unless doing so is deemed to be in the best interest of the Library, as determined at the sole discretion of the Library.

Communication Regarding the RFP

Upon release, all communications concerning this RFP must be directed to Lindsey Freeland, the RFP Coordinator. Unauthorized contact regarding the RFP with other Library employees may result in disqualification. Written comments and/or questions should be submitted by email to freeland@smcl.org by May 8, 2024. The Library JPA shall respond in writing and reserves the right, at its sole discretion, to determine appropriate and adequate responses to written comments, questions, and requests for clarification. Responses will be posted on the Library's website (**smcl.org**) by May 13, 2024.

Contract Award Not Guaranteed

The RFP and selection processes do not obligate the Library JPA and do not create rights or claims of entitlement in the apparent best evaluated proposer. Contract award shall commence only after the contract is signed by the Contractor and by Library JPA officials as required by regulations to establish a legally binding contract.

Public Records Act

Government Code Sections 6550 *et seq.*, the California Public Record Act, defines a public record as any writing containing information relating to the conduct of the public business. The Public Record Act provides that public records shall be disclosed upon written request and that any citizen has a right to inspect any public record unless the document is exempted from disclosure.

Be advised that any contract that eventually arises from this RFP is a public record in its entirety. Also, all information submitted in response to this RFP is itself a public record without exception. Submission of any materials in response to this RFP constitutes a waiver by the submitting party of any claim that the information is protected from disclosure. By submitting materials, (1) you are consenting to release of such materials by the Library JPA if requested under the Public Records Act without further notice to you and, (2) you agree to indemnify and hold harmless the Library JPA for release of such information.

If the Library JPA receives a request for any portion of a document submitted in response to this RFP, the Library JPA will not assert any privileges that may exist on behalf of the person or entity submitting the proposal, and the Library reserves the right to disclose the requested materials without notice to the party who originally submitted the requested material. To the extent consistent with the Public Records Act and applicable case law interpreting those provisions, the Library JPA and/or its officers, agents, and employees retain discretion to release or withhold any information submitted in response to this RFP.

Submission of a proposal constitutes a complete waiver of any claims whatsoever against the Library JPA and/or its officers, agents, or employees that the Library JPA has violated a proposer's right to privacy, disclosed trade secrets, or caused any damage by allowing the proposal to be inspected.

Proposal Evaluation

All proposals received will be evaluated by an RFP Evaluation Committee. During the evaluation process, the Library JPA may require a proposer's representative to answer specific questions orally and/or in writing. The most qualified individual or firm will be selected based on the overall strength of each proposal. The evaluation is not restricted to considerations of any single factor, such as cost. The Library JPA reserves the right to negotiate with any provider in working to finalize an agreement. Refusal to engage in prompt negotiations, or refusal to negotiate in good faith, may result in Library JPA selection of a different proposer, at Library's sole discretion.

The criteria used as a guideline in the evaluation will include, but not be limited to, the following:

- Qualifications and experience, including capability and experience of key personnel and experience with other public agencies to provide similar services in the State of California
- Proposed approach, including clarity of understanding of the scope of services to be provided and appropriateness of the proposed solution/services
- History of successfully managing other contracts with public agencies, County Free Libraries and Joint Powers Authorities
- Ability to meet any required timelines or other requirements
- Claims and violations against you or your organization and/or claims you have made against public entity clients
- Cost to the Library JPA for the primary services described by this RFP
- References
- Proposer's willingness to accept the terms of our standard form of agreement, which will be used as the basis for the resulting contract.

The Library JPA may consider any other criteria it deems relevant, and the Evaluation Committee is free to make any recommendations it deems to be in the best interest of the Library JPA. Inaccuracy of any information supplied within a proposal or other errors constitute grounds for rejection of the proposal. However, the Library JPA may, at its sole discretion, correct errors or contact a proposer for clarification.

Note that the Library JPA reserves the right to evaluate proposals solely based on each vendor's written submission. In relation to written materials, evaluation will be performed only on the material included directly in the proposal itself unless otherwise indicated or requested by the Library JPA. The evaluation team will not access company web sites or read sales brochures, marketing materials, or white papers in evaluating vendor experience or proposed methodology unless doing so is in the Library JPA's best interest. You may submit additional materials or reference on-line information in your proposal if you wish, but these will not necessarily be considered during the proposal evaluation process.

Notice to Proposers

The Library JPA is not required to give notice to proposers in any specific format or on any particular timeline. At some point prior to execution of a final agreement for the requested services, the Library JPA will notify those who submitted proposals of their non-selection. Proposers may be notified at different times depending on the needs of the Library JPA.

Protest Process

If a proposer desires to protest the selection decision, the proposer must submit by email a written protest within five (5) business days after the delivery of the notice about the decision. Protests received after the deadline will not be accepted. Protests must be in writing and must state all the specific ground(s) for the protest. A protest that merely addresses a single aspect of the selected proposal (for example, comparing the cost of the selected proposal in relation to the non-selected proposal) is not sufficient to support a protest. A successful protest will include sufficient evidence and analysis to support a conclusion that the selected proposal, taken as a whole, is an inferior proposal.

The RFP Coordinator will respond to a protest within ten (10) business days of receiving it. The decision of the RFP Coordinator will be final. The protest letter must be sent by email to: Lindsey Freeland, Financial Services Manager, freeland@smcl.org

Administrative Requirements

A written Agreement using the Library's standard format (sample attached) showing required material terms will be finalized between the Library and Contractor containing the terms and conditions of the selected proposal between the two parties. Proposers which cannot accept any of the terms in the sample attached agreement should explicitly note such exceptions in their proposals. Proposals will be evaluated based upon willingness to accept sample contract terms.

If the services being requested will require you or your employees to travel to the Bay Area, and if the Library JPA opts to permit travel expenses to be reimbursed, there are some general guidelines regarding reimbursement rates that will apply. In general, the following restrictions should be kept in mind: reimbursement for the actual cost of lodging, meals, and incidental expenses ("LM&I Expenses") is limited to the then-current Continental United States ("CONUS") rate for the location of the work being done, as set forth in the Code of Federal Regulations and as listed by the website of the U.S. General Services Administration (available online by searching www.gsa.gov for the term 'CONUS'); airline and car rental travel expenses ("Air & Car Expenses") are limited to reasonable rates obtained through a cost-competitive travel service (for example, a travel or car-rental website), with air travel restricted to coach fares and car rental rates restricted to the mid-level size range or below; and certain other reasonable travel expenses ("Other Expenses") such as taxi fares, parking costs, train or subway costs, etc. may be reimbursable on an actual-cost basis. You should not assume that the Library will permit travel from the Bay Area to be reimbursed, and your proposal should include such travel costs, if applicable. Travel costs should be minimized or eliminated in order for a proposal to be competitive.

Proposal Submission Requirements

All proposals prepared should have consecutively numbered pages, including any exhibits, charts, or other attachments.

Provide a one-page cover letter on your letterhead which includes the address, phone numbers, and e-mail address of the contact person or persons and an indication of who is authorized to represent the proposer in negotiations. Unless the proposer is an individual, all proposals must be signed with a firm/company/partnership/entity name and by a responsible officer or employee indicating that officer or employee's authorization to commit the proposer to the terms of the proposal. Obligations assumed by such signature must be fulfilled.

The proposer should be sure to include all information that it feels will enable the Library JPA to make a decision. Failure of the proposer to provide specific, detailed information may result in its proposal being rejected in favor of a sufficiently detailed proposal.

Please ensure that your proposal is uses the following sections:

Section 1 Proposer Qualifications and Experience:

All respondents must provide the following information and should disclose the office, location, and staff that will be providing services to San Mateo County Libraries:

- Affirmation that the office has successfully completed two or more engagements of similar agencies such as governments or libraries. List two of the agencies where similar services were performed by the proposer. A list of proposer staff that provided the services and a short description of the services provided.
- Proposals shall include a statement by the firm as to its plans and commitments relative to providing a continuity of personnel. The Library reserves the right to request replacement of any members of the consultant's team prior to and during the course of the contract if circumstances warrant, and similarly, the Library requests that it be notified, in advance, of any changes made by the consultant concerning the make-up of the consultant's team after work has begun.

- Provide information regarding the number, qualifications, experience and training of specific staff to be assigned to this work.

Section 2 Specific Approach:

Provide the following information on the proposer's approach:

- Provide a straightforward, concise description of the consultant's capabilities to satisfy the requirements of the RFP.
- Submit a work plan with a timeline to accomplish the scope of the RFP. The work plan should include time estimates for each significant segment of the work and the level of staff to be assigned. Where possible, individuals should be named and their titles provided. The work plan should list outcomes to be accomplished.

Section 3 Cost to the Library JPA for Primary Services:

Provide a detailed explanation for all costs associated with providing the requested services. The proposal should contain all pricing information relative to performing the work as described in this RFP. The total all-inclusive maximum price is to contain all direct and indirect costs including all out-of-pocket expenses. These prices will not be considered a firm fixed contract. If there is work the proposer is recommending outside of the scope of this contract, cost for those services shall be identified separately and included.

Progress payments will be made on the basis of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with the cost proposal. Interim billings shall cover a period of not less than a calendar month. Please state briefly any qualifications you may have regarding your proposed fees (e.g., out of pocket expenses, fee increases, extraordinary services, etc.).

If it should become necessary for the Library JPA to request the proposer to render any additional services to either supplement the services requested in this RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract between the Library JPA and the Contractor. Any such additional work agreed to between the Library JPA and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the proposal.

Section 4 References:

List at least three business references for which you have recently provided similar services, preferably from JPA's, library systems or public agencies. Include contact names and phone numbers for all references provided.

Section 5 Claims and Violations Against Your Organization:

Please list any current violations or claims against you/your organization and those having occurred in the past five years, especially those resulting in claims or legal action against you. Similarly, please list any claims you have made against public entity clients within the past five years, and identify the entity claimed against and the outcome.

Section 6 Statement of Compliance with Library Contractual Requirements:

A sample of the Library JPA's standard contract accompanies this RFP. Each proposal must include a statement of the proposer's commitment and ability to comply with each of the terms of the Library JPA's standard contract. In addition, the proposer should include a statement that it will agree to have any disputes regarding any contract venued in San Mateo County or the Northern District of California. Proposals must advise the Library JPA of any objections to any terms in the Library JPA's contract template and provide an explanation for the inability to comply with the required term(s). If no objections are stated, the Library JPA will assume the proposer is prepared to sign the Library JPA contract as-is.

Please note that the sample standard contract that accompanies this RFP is a template and does not constitute the final agreement to be prepared for the provider that is selected. Please do not attempt to insert missing information and/or complete the sample contract. Once a provider is selected, the Library JPA will work with the selected provider to draft a provider-specific contract using the template. However, each proposal should address the general terms of the standard contract as outlined in the accompanying template.

Attachment A – Sample Agreement

Agreement Number: 37000-XX-DXXX

THIS AGREEMENT, made and entered into this ____ day of _____, by and between XXXXXXXXX, hereinafter called "Contractor", and San Mateo County Libraries, 125 Lessingia Court, San Mateo, CA 94402, hereinafter called "Library."

IT IS AGREED that the Contractor for and in consideration of the covenants, conditions, agreements and stipulations of the Library hereinafter expressed does hereby agree to furnish to the Library services and materials as follows and/or as described on exhibits attached to and incorporated herein and thereby made part of this Agreement.

Contractor will provide to the Library the following materials and/or services: See Exhibit A.

CONTRACT PERIOD will be from X to X unless terminated earlier under the terms of the Agreement. The Agreement for services as described in Exhibit A is for a X (#) year period.

COMPENSATION AND PAYMENT SCHEDULE: The Library will pay Contractor for materials and services as described in Exhibit A and Exhibit B and upon receipt of approval of invoices when submitted. The Library will pay Contractor for services performed herein a total of Dollar Amount (\$XX,XXX). Library reserves the right to withhold payment if the Library determines that the quantity or quality of the work performed is unacceptable. In no event shall total payment for services under this Agreement exceed \$XX,XXX.

Payments are sent to:

- Company
- Attn.
- Address
- Address
- Phone #

Invoices are to be submitted to:

- San Mateo County Libraries
- Attn. Manager Name
- 125 Lessingia Court
- San Mateo, CA 94402
- (650) 312-5326

ADDITIONAL PROVISIONS set forth on pages 2-3 and Exhibits A and B hereof constitutes a part of this Agreement.

THIS CONTRACT IS NOT VALID UNTIL SIGNED BY ALL PARTIES

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the date and year first above written.

CONTRACTOR

SAN MATEO COUNTY LIBRARIES JPA

Contractor Signature/ Date

Director of Library Services Signature/ Date

Contractor Tax I.D. Number

Chair, JPA Governing Board Signature/ Date

Address

ADDITIONAL PROVISIONS

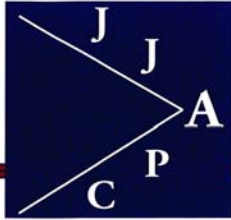
1. Contractor agrees that the work/services performed under this Agreement are performed as an independent contractor and that its officers and employees do not become employees of the Library nor are they entitled to any of the rights, privileges, powers or advantages of Library employees.
2. Contractor shall indemnify and defend Library, its officers and employees from any and all claims, damages, and liability in any way occasioned by or arising out of the performance of this Agreement, including but not limited to those resulting from the concurrent negligence of Library, its officers or employees.
3. Contractor agrees and understands that the Library does not provide Workers' Compensation Insurance to, or on behalf of, the Contractor for the work/services to be performed and that the Library will not withhold Federal or State Income Taxes from monies due the Contractor for work/services performed, but that said taxes are the sole responsibility of Contractor. Contractor shall provide necessary Workers' Compensation Insurance at Contractor's own cost and expense.
4. As required by Chapter 2.88 of the San Mateo County Ordinance Code, Contractor certifies all contractor(s) and subcontractor(s) obligated under this contract shall fully comply with the provisions of the County of San Mateo Living Wage Ordinance, including, but not limited to, paying all Covered Employees the current Living Wage or more and providing notice to all Covered Employees and Subcontractors as required under the Ordinance. The Library has the power to audit Contractor in order to monitor compliance.
5. The Contractor shall take out and maintain during the life of this Agreement such Bodily Injury Liability and Property Damage Liability Insurance as shall protect him/her while performing work covered by this Agreement from any and all claims for damages for bodily injury, including accidental death, as well as any and all operations under this Agreement, whether such operations be by himself/herself or by any subcontractor or by anyone directly or indirectly employed by either of them. Such insurance shall be combined single limit bodily injury and property damage for each occurrence and shall not be less than \$1,000,000. All contractors performing work/services with the County Library must have a minimum of \$1,000,000 general liability insurance, \$1,000,000 auto insurance, and, to the extent legally required, statutory workers' compensation insurance, and the County Library must be named as an additional insured by insurer-issued written endorsement, a copy of which shall be provided to the Director of Library Services prior to initiation of work by contractor. Carrier's liability insurance at \$0.60 per pound, per item will also be provided.
6. Contractor shall not assign this Agreement or any portion thereof to a third party without the prior written consent of Library, and any attempted assignment without such prior written consent in violation of this Section shall automatically terminate this Agreement.
7. Library may, at any time from execution of Agreement, terminate this Agreement, in whole or in part, for the convenience of the Library, by giving written notice specifying the effective date and scope of such termination. Termination shall be effective on a date not less than thirty (30) days from notice. In the event of termination, all finished or unfinished documents, data, studies, maps, photographs, reports, and materials (hereafter referred to as materials) prepared by Contractor under this Agreement shall become the property of the Library and shall be promptly delivered to the Library. In the event of termination, Contractor shall be paid for all work satisfactorily performed until termination, except where the Library determines the quality or quantity of the work performed is unacceptable. Such payment shall be that portion of the full payment, which is determined by comparing the work/services completed to the work/services required by the Agreement.

8. Contractor shall obtain any license, permit, or approval if necessary from any agency whatsoever for the work/services to be performed at Contractor's own expense, prior to commencement of said work/services or forfeit any right to compensation under this Agreement.
9. No alteration or variation of terms of this agreement shall be valid unless made in writing and signed by both parties hereto.
10. No person shall illegally be excluded from participation in, denied the benefits of, or be subjected to discrimination under this Agreement on account of their race, creed, color, sex, sexual orientation, age, disability or national origin. Contractor shall ensure full equal employment opportunity for all employees under this Agreement.
11. Contractor shall maintain all records related to this Agreement for no less than three (3) years after the Library makes final payment or after termination of this contract and all other pending matters are closed. All records shall be subject to the examination and/or audit by agents of the Library, the State of California and/or Federal grantor agencies.
12. This Agreement, including Exhibit "A" and Exhibit "B" attached hereto and incorporated herein by reference, constitutes the sole Agreement of the parties hereto and correctly states the rights, duties, and obligations of each party as of this document's date. Any prior agreement, promises, negotiations, or representations between the parties not expressly stated in this document are not binding. All subsequent modifications shall be in writing and signed by the Library Director. In the event that any term, condition, provision, requirement or specification set forth in this body of the agreement conflicts with or is inconsistent with any term, condition, provision, requirement or specification in any exhibit and/or attachment to this agreement, the provisions of this body of the agreement shall prevail. This Agreement, or facsimile proposal of the Agreement, constitutes the entire Agreement between Library and Contractor. Further, liability referenced to in section 4 is limited to Contractor's negligence during the Contractor's performance under this contract.
13. This Agreement, including any exhibits, shall for all purposes be deemed subject to the laws of the State of California, and in the event of a lawsuit concerning this Agreement shall be venued in the County of San Mateo. Provided, however, any dispute between the parties regarding their respective rights and duties hereunder shall be resolved through binding arbitration pursuant to Code of Civil Procedure section 1280 et seq., with the non-prevailing party responsible for the arbitrator's fee but in all other respects with each party bearing its own costs and attorneys fee

SAN MATEO COUNTY LIBRARY JPA

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

JUNE 30, 2023



JJACPA, Inc.

A Professional Accounting Services Corp.

January 4, 2024

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, 2023, and have issued our report thereon dated January 4, 2024. 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 September 1, 2023, 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.

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 2022-23. 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, 2024.

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, 2023, 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.

SAN MATEO COUNTY LIBRARY
JOINT POWERS AUTHORITY
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2023

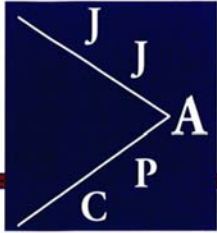
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San Mateo County Library Joint Powers Authority
Basic Financial Statements
For the year ended June 30, 2023

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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 Audit of the Financial Statements

Opinions

We have audited the 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, 2023, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–11 and 29 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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, 2024 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 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 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.

January 4, 2024

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA

San Mateo County Library Joint Powers Authority Management's Discussion and Analysis, Continued For the year ended June 30, 2023

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, 2023. 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, 2023, the Library's net position increased to \$44,150,830 from \$39,488,555 in 2022, which includes additions of \$531,637 and deletions of \$328,114 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 \$4,937,327 due to investment in supplies, equipment and materials for programming and emerging technology as well as negotiated salary increases, including the addition of seven new permanent positions.
- Program revenues increased by \$1,313,312 primarily due to the Town of Atherton's loan repayment (\$931,924). General revenues increased by \$3,491,933 principally from increases to secured property taxes including Excess ERAF.

FY 2022-23 Accomplishments

The fiscal year 2022-23 was marked with a number of significant accomplishments and system improvements reflecting the Library's values and priorities. Some of these include:

Transformative Experiences

- Received the highest national award by Library Journal by being named a 5-Star Library, which highlights our commitment to serving our patrons and the value our communities place on our library services.
- Selected as a finalist for the 2023 National Medal from the Institute of Museum and Library Services, the nation's highest honor given to museums and libraries that demonstrate excellence in service to their communities.
- Celebrated the first anniversary of our expanded 7-day-a-week service in March. With new increased hours, the libraries enhanced community connections and helped more patrons find vital resources. Expanded evening and weekend hours also provided more in-person opportunities for discovery and support through access to the latest technology, programming and school and job resources that meet many interests.
- We were the first library to offer a virtual book club app. The app, Fable is a modern take on book clubs—perfect for those who want to connect socially around reading, at their own pace and on their own time.

**San Mateo County Library Joint Powers Authority
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2023**

Financial Highlights & Accomplishments – continued

- Began offering free menstrual products in all our libraries so that anyone in need could get these necessary resources and continue using our services. Supplies like pads and tampons are as necessary as toilet paper and soap, yet they’re not readily available, accessible, or affordable.

Exploring Possibilities

- Celebrated the completion of our custom built, zero emission Makermobile. The vehicle is taking maker activities and tech to new horizons by delivering high-impact maker programs beyond our libraries. The project came to life thanks to a generous donation from Gilead Sciences and the work of the Foundation for San Mateo County Libraries. The all-electric vehicle is designed to “unfold” at each destination, transforming any location into a bustling pop-up makerspace.
- Our libraries welcome hundreds of kids after school each day, leading us to create a new program to further empower our youth. Power Up Afternoons offers K-12 students opportunities to connect and grow with after-school experiences. We encouraged students to practice their creativity and learn through exploration by experimenting with tech, taking in live performances, and hearing from subject matter experts who help them explore new information and ideas. Power Up Afternoons have reached thousands of people—participants enjoyed 2,242 hours of programming in which creativity and learning were encouraged.
- Continued offering California State Parks passes for checkout as part of a statewide program. Along with the passes, backpacks with other useful items including binoculars and identification guides were also provided. In November 2022, we launched an additional program to help patrons check out San Mateo County Parks passes.

Responsive Services

- Added 29,000 world language items to our collection. Chinese, Hindi, Japanese, Korean, Russian, Tagalog and Spanish voices are now more represented in our collections. It’s part of our commitment to providing equitable access to materials for all, ensuring community members feel seen and supported. This expansion extends to materials of all kinds—eBooks, read-along books for children, eMagazines and newspapers.
- The Library trained 140 staff in mental health first aid. Mental Health First Aid is an initiative making training available to empower community members to respond and provide initial help and support to someone experiencing a mental health crisis. We have further invested by supporting three of our staff to undertake a three-day process to become certified Mental Health First Aid trainers.
- Provided equipment to help our patrons preserve their precious memories. With our Memory Lab service, we help digitize print photos, VHS tapes, cassettes and other analog formats. Using special equipment designed to convert old formats, we’ve helped community members watch videos they haven’t seen in years and digitally share photos that have been tucked away in print albums. Updating the formats makes the memories easier to access and gives families a free digital backup to their physical mementos.

San Mateo County Library Joint Powers Authority

Management's Discussion and Analysis, Continued

For the year ended June 30, 2023

Financial Highlights & Accomplishments – continued

- Removed financial barriers by introducing free copying—a brand-new, simple service with a significant impact. Equity is a top priority, and we understand that not all patrons have access to printing and copying when they need it most. With this service, patrons can copy and print crucial documents without worrying about the cost. By limiting free copying and printing to 25 copies, we can continue to prioritize sustainability while providing support in situations where a paper copy is essential.

Positive Impacts

- Included 390 volunteers to our team of Library Champions. We joyfully welcomed the return of in-person volunteers this year. Enthusiastic volunteers, Friends of the Library and Foundation members have generously devoted thousands of hours of their time. They support our programs, advocate for our libraries, and amplify the services we provide. Their hours of service are essential to advancing important equity goals—whether signing up to tutor an adult literacy learner or contributing language skills and supporting staff with bilingual storytime.
- Initiated a new mentorship program designed to develop the critical leadership skills needed to advance. LEAD, Leadership, Education and Development, was a leadership cohort for 15 of our future leaders. Monthly sessions explored topics on public speaking, professional writing, and emotional intelligence, featuring guest speakers providing diverse and varied perspectives. 91% of participants rated LEAD a successfully giving it 5 out of 5.
- The Big Lift Inspiring Summers program, created to prevent the loss in learning that can happen over summer break, continues to impact the lives of young residents and their families. San Mateo County Libraries hired 128 college interns this summer to engage close to a thousand youth in experiences that were built on the literacy-focused curriculum and STEAM-rich activities signature to the success of the program. Through the generous support of County Measure K funds, the program has shown strong positive academic gains in both literacy and math across participating school districts. For the first time since 2019, we were able to bring back field trips, allowing us to leave campus and venture to museums and County Parks. To further enrich the program for youth, our maker team visited every school site and engaged the children in maker experiences with tech they will be able to continue to use at our libraries. Students learned about 3D printing and got to explore and learn coding with robots, setting them on a journey of discovery.

Inspiring Spaces

- Atherton Library which opened in June 2022, was recognized for its thoughtful, climate-friendly design. Designed by WRNS Studio, the library won a 2022 Climate Action Award from the American Institute of Architects California, a 2023 All-Electric Leader Outstanding Commercial Project awarded by Peninsula Clean Energy, and an honorable mention for the 2023 Green Building Award from Sustainable San Mateo County and the American Institute of Architects.

**San Mateo County Library Joint Powers Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2023**

Financial Highlights & Accomplishments – continued

- Expanded hours at our makerspaces with the support of staff and 25 maker volunteers.
- Engaged with our communities by participating in local events in connection with schools and nonprofits and by hosting booths at community street fairs and other community gatherings.
- Offered free meeting and study spaces for use by our community members including students, book club members, teleworkers, and small business owners. Virtual and physical reservations exceeded 25,000 hours in FY 2022-23.
- Expanded hours at our makerspaces with the support of our staff and 25 maker volunteers, users have the chance to experience more weekly maker activities and one-one-one time with our technology. Equipment bookings exceeded 1,000.

**San Mateo County Library Joint Powers Authority
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2023**

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		Increase (Decrease)	Percent Change
	2023	2022		
Assets:				
Current assets	\$ 61,136,325	\$ 53,965,062	\$ 7,171,263	13.3%
Non-current assets	2,163,550	1,960,027	203,523	10.4%
Total assets	63,299,875	55,925,089	7,374,786	13.2%
Liabilities				
Current liabilities	18,495,880	15,840,996	2,654,884	16.8%
Non-current liabilities	653,165	595,538	57,627	9.7%
Total liabilities	19,149,045	16,436,534	2,712,511	16.5%
Net position:				
Net investment in capital assets	2,163,550	1,960,027	203,523	10.4%
Unrestricted	41,987,280	37,528,528	4,458,752	11.9%
Total net position	\$ 44,150,830	\$ 39,488,555	\$ 4,662,275	11.8%

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, 2023, increased to \$44,150,830 from \$39,488,555 in 2022 primarily due to increases in secured property tax funds, including Excess ERAF. The Library had compensated absences of \$653,165 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.

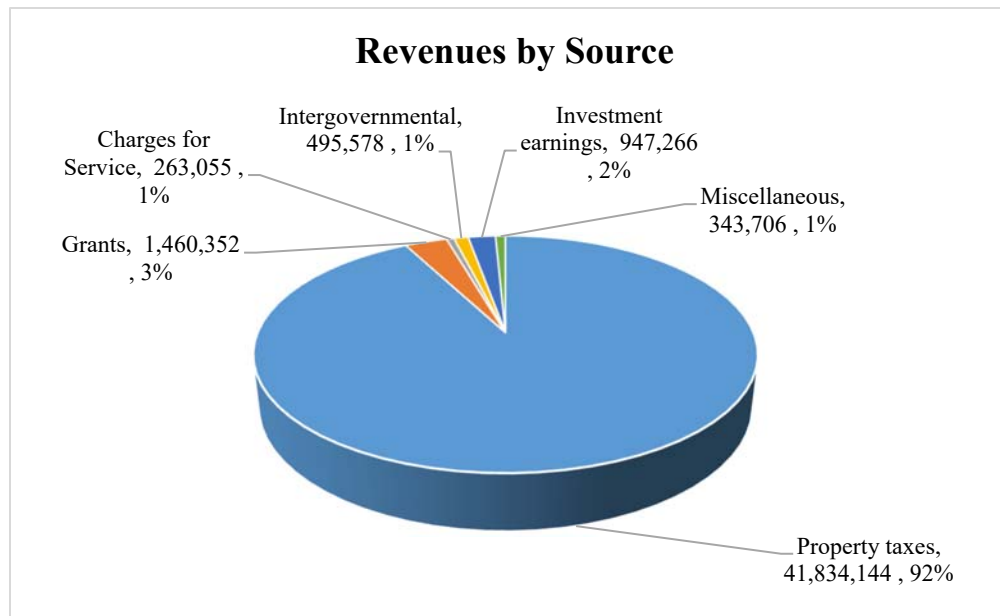
**San Mateo County Library Joint Powers Authority
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2023**

Financial Analysis of the Library as a Whole – continued

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating expenses	\$ 40,681,826	\$ 35,744,499	\$ 4,937,327	13.8%
Program revenue:				
Intergovernmental	495,578	97,265	398,313	409.5%
Grants	1,460,352	489,405	970,947	198.4%
Charges for services	263,055	319,003	(55,948)	-17.5%
Total program revenue	<u>2,218,985</u>	<u>905,673</u>	<u>1,313,312</u>	145.0%
Net operating expenses	<u>38,462,841</u>	<u>34,838,826</u>	<u>3,624,015</u>	10.4%
General revenue:				
Property taxes	41,834,144	39,023,467	2,810,677	7.2%
Investment earnings	947,266	360,554	586,712	162.7%
Miscellaneous	343,706	249,162	94,544	37.9%
Total general revenue	<u>43,125,116</u>	<u>39,633,183</u>	<u>3,491,933</u>	8.8%
Increase in net position	4,662,275	4,794,357	(132,082)	-2.8%
Net position:				
Beginning of the year	<u>39,488,555</u>	<u>34,694,198</u>	<u>4,794,357</u>	13.8%
End of the year	<u>\$ 44,150,830</u>	<u>\$ 39,488,555</u>	<u>\$ 4,662,275</u>	11.8%

Program revenues increased by \$1,313,312 primarily due to the Town of Atherton’s loan repayment (\$931,924). General revenues increased by \$3,491,933 principally from increases to secured property taxes including Excess ERAF.

The following is a graphic illustration of revenues by source for the year ended June 30, 2023:



**San Mateo County Library Joint Powers Authority
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2023**

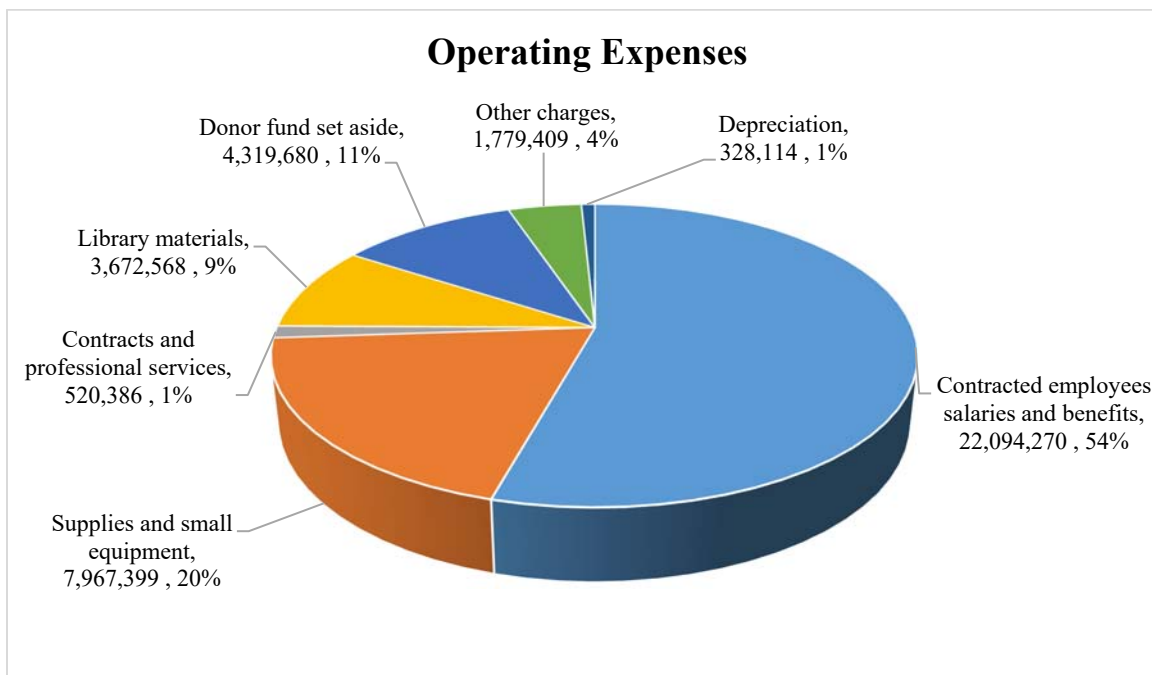
Financial Analysis of the Library as a Whole – continued

**Operating Expenses
For the years ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating expense:				
Contracted employees salaries and benefits	\$ 22,094,270	\$ 19,943,681	\$ 2,150,589	10.8%
Supplies and small equipment	7,967,399	6,204,786	1,762,613	28.4%
Contracts and professional services	520,386	481,798	38,588	8.0%
Library materials	3,672,568	2,831,148	841,420	29.7%
Donor fund set aside	4,319,680	4,433,398	(113,718)	-2.6%
Other charges	1,779,409	1,573,285	206,124	13.1%
Depreciation	328,114	276,403	51,711	18.7%
Total operating expenses	<u><u>\$ 40,681,826</u></u>	<u><u>\$ 35,744,499</u></u>	<u><u>\$ 4,937,327</u></u>	13.8%
Net investment in capital assets	<u><u>\$ 2,163,550</u></u>	<u><u>\$ 1,960,027</u></u>	<u><u>\$ 203,523</u></u>	10.4%

Operating expenses increased \$4,937,327 due to investment in supplies, equipment and materials for programming and emerging technology as well as negotiated salary increases, including the addition of seven new permanent positions.

The following is a graphic illustration of operating expenses for June 30, 2023:



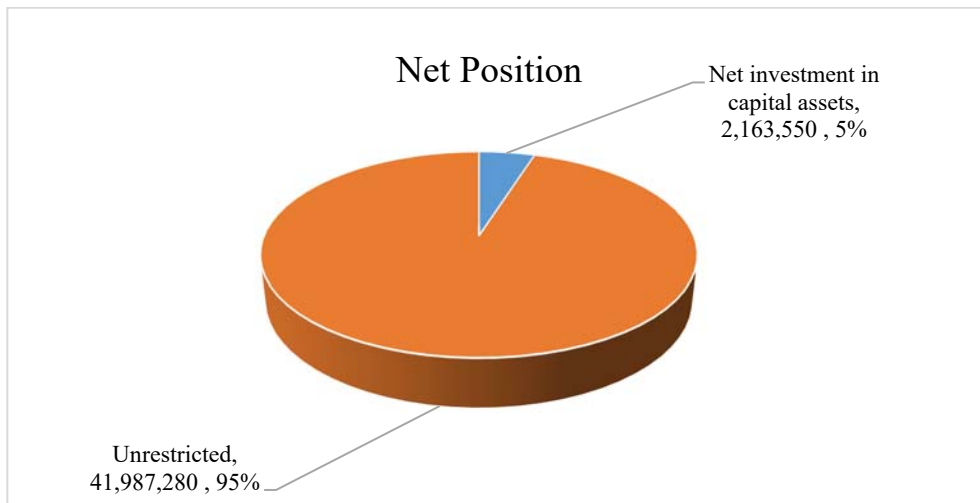
**San Mateo County Library Joint Powers Authority
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2023**

Financial Analysis of the Library as a Whole – continued

	Analysis of Net Position As of June 30, 2023 and 2022			
	2023	2022	Increase (Decrease)	Percent Change
Net Position:				
Net investment in capital assets	\$ 2,163,550	\$ 1,960,027	\$ 203,523	10.4%
Unrestricted	41,987,280	37,528,528	4,458,752	11.9%
Total	\$ 44,150,830	\$ 39,488,555	\$ 4,662,275	11.8%

The \$4,662,275 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, 2023:



ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

In considering the Library budget for fiscal year 2023-2024, the Governing Board and management used the following criteria:

The key assumptions in the revenue forecast were:

Secured property tax revenues expected to increase at a rate of 4% 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) was estimated at \$29.7 million, and unsecured taxes (taxes on aircraft and commercial equipment largely generated from businesses at San Francisco International Airport) was estimated at \$1.2 million.

Continued State transfer of excess Educational Revenue Augmentation Fund (ERAF) revenue was estimated at \$5.0 million.

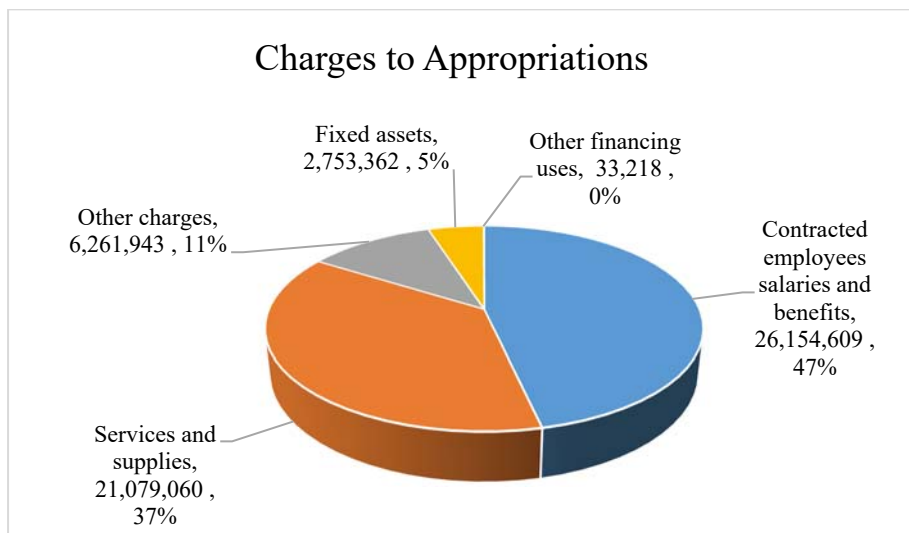
**San Mateo County Library Joint Powers Authority
Management’s Discussion and Analysis, Continued
For the year ended June 30, 2023**

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

The adopted budget for the new fiscal year 2023-24 was \$84,452,465, including reserves of \$28,170,273. and is summarized as follows:

	FY 2023-24	FY 2022-23	Increase (Decrease)	Percentage change
Contracted employees salaries and benefits	\$ 26,154,609	\$ 24,656,168	\$ 1,498,441	6.1%
Services and Supplies	21,079,060	19,707,268	1,371,792	7.0%
Other charges	6,261,943	3,640,358	2,621,585	72.0%
Fixed Assets	2,753,362	1,991,000	762,362	38.3%
Other Financing Uses	33,218	28,137	5,081	18.1%
Total budget	\$ 56,282,192	\$ 50,022,931	\$ 6,259,261	12.5%

1. Contracted employee’s salaries and benefits – Shows an increase of 6.1% primarily due to the addition of seven new positions and County negotiated salary and benefit increases.
2. Services and Supplies – Shows an increase of 7% primarily due to significant allocations for one-time projects, including furniture and shelving updates for facilities, and construction of new makerspaces.
3. Other charges – Shows an increase of 72% primarily due to moving the budget for other agency project contributions from Services and Supplies and adjustments to County service charges.
4. Fixed Assets – Shows an increase of 38.3% due to significant one-projects, including continued construction of makerspaces, shelving, and other technology projects.
5. Other Financing Uses – Shows an increase of 18. 1% due to adjustments in County facility charges.



**San Mateo County Library Joint Powers Authority
Management's Discussion and Analysis, Continued
For the year ended June 30, 2023**

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 Danae Ramirez, Deputy Director with San Mateo County Libraries, ramirez@d@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.

San Mateo County Library Joint Powers Authority
Governmental Funds Balance Sheet/Statement of Net Position
June 30, 2023

(With comparative totals for June 30, 2022)

	<u>General Fund</u>	<u>Adjustments (Note 5)</u>	<u>Statement of Net Position</u>	<u>2022</u>
ASSETS				
Cash and investments	\$ 48,062,101	\$ -	\$ 48,062,101	\$ 44,570,903
Cash and investments - restricted	12,715,446	-	12,715,446	9,278,334
Interest receivable	358,778	-	358,778	114,630
Other receivables	-	-	-	1,195
Capital assets, net of accumulated depreciation	-	2,163,550	2,163,550	1,960,027
Total assets	<u>\$ 61,136,325</u>	<u>\$ 2,163,550</u>	<u>\$ 63,299,875</u>	<u>\$ 55,925,089</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and sales tax payable	\$ 1,184,493	\$ -	\$ 1,184,493	\$ 891,357
Other current liabilities	4,136,837	-	4,136,837	4,433,398
Eligible donor fund set aside	12,715,446	-	12,715,446	9,278,334
Accrued payroll	459,104	-	459,104	1,237,907
Compensated absences	-	653,165	653,165	595,538
Total liabilities	<u>18,495,880</u>	<u>653,165</u>	<u>19,149,045</u>	<u>16,436,534</u>
Fund balances/Net position:				
Committed	42,640,445	(42,640,445)	-	-
Total fund balances	<u>42,640,445</u>	<u>(42,640,445)</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 61,136,325</u>			
NET POSITION				
Net investment in capital assets		2,163,550	2,163,550	1,960,027
Unrestricted		41,987,280	41,987,280	37,528,528
Total net position		<u>\$ 44,150,830</u>	<u>44,150,830</u>	<u>39,488,555</u>
Total liabilities and net position			<u>\$ 63,299,875</u>	<u>\$ 55,925,089</u>

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, 2023
(With comparative totals for the year ended June 30, 2022)

	<u>General Fund</u>	<u>Adjustments (Note 6)</u>	<u>Statement of Activities</u>	<u>2022</u>
EXPENDITURES/EXPENSES:				
Contracted employees salaries and benefits	\$ 22,036,642	\$ 57,628	\$ 22,094,270	19,943,681
Supplies and small equipment	7,967,399	-	7,967,399	6,204,786
Contracts and professional services	520,386	-	520,386	481,798
Library materials	3,672,568	-	3,672,568	2,831,148
Donor fund set aside	4,319,680	-	4,319,680	4,433,398
Other charges	1,779,409	-	1,779,409	1,573,285
Capital outlay	531,638	(531,638)	-	-
Depreciation	-	328,114	328,114	276,403
Total expenditures/expenses	<u>40,827,722</u>	<u>(145,896)</u>	<u>40,681,826</u>	<u>35,744,499</u>
REVENUES:				
Program revenues:				
Intergovernmental	495,578	-	495,578	97,265
Grants	1,460,352	-	1,460,352	489,405
Charges for services	263,055	-	263,055	319,003
Total program revenues	<u>2,218,985</u>	<u>-</u>	<u>2,218,985</u>	<u>905,673</u>
Net program expenses	<u>38,608,737</u>	<u>(145,896)</u>	<u>38,462,841</u>	<u>34,838,826</u>
Property taxes	41,834,144	-	41,834,144	39,023,467
Investment earnings	947,266	-	947,266	360,554
Miscellaneous	343,706	-	343,706	249,162
Total general revenues	<u>43,125,116</u>	<u>-</u>	<u>43,125,116</u>	<u>39,633,183</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>4,516,379</u>			
CHANGE IN NET POSITION		<u>145,896</u>	<u>4,662,275</u>	<u>4,794,357</u>
FUND BALANCES/NET POSITION:				
Beginning of the year	38,124,066	1,364,489	39,488,555	34,694,198
End of the year	<u>\$ 42,640,445</u>	<u>\$ 1,510,385</u>	<u>\$ 44,150,830</u>	<u>\$ 39,488,555</u>

The accompanying notes are an integral part of these financial statements

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements
For the year ended June 30, 2023

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 agreement was updated again in December 2018 to reflect changes pertaining to the manner in which County tax revenues are allocated to the JPA members.

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.

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

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.

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

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 XIII A 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 XIII A 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:

	<u>Secured</u>	<u>Unsecured</u>
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

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

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, 2023:

	<u>Not rated</u>	<u>Fair Value</u>
San Mateo County Treasury	\$ 45,806,235	\$ 45,806,235
San Mateo County Treasury- restricted	12,715,446	12,715,446
California Local Agency Investment Fund (LAIF)	<u>2,255,866</u>	<u>2,255,866</u>
Total	<u>\$ 60,777,547</u>	<u>\$ 60,777,547</u>
Presentation in Statement of Net Position:		
Cash and investments	\$ 48,062,101	
Cash and investments- restricted	<u>12,715,446</u>	
	<u>\$ 60,777,547</u>	

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

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, 2023, approximated fair value of \$48,062,101. The Libraries maintain petty cash totaling 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.

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

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, 2023, 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, 2023, the Library had \$2,255,866 invested directly in LAIF. The LAIF investment pool consisted of derivative products in the form of asset-backed securities in the amount of \$2,660.770 million and \$2,300.000 million in floating rate securities, each of these investment types representing 1.32% and 1.46% of the total LAIF investment pool, respectively. The current average life of the LAIF portfolio as of June 30, 2023 was 260 days.

As of June 30, 2023, the Library also had \$45,806,235 invested directly in the County investment pool. The County investment pool currently holds \$43,575,382 in asset-backed securities, and \$10,000,000 in floating rate securities, each of these investment types representing .54%, and 0.12%, of the total County investment pool, respectively. The current average maturity of the portfolio is 1.65 years with an average duration of 1.50 years.

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

3. CAPITAL ASSETS

Changes in capital assets were as follows:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2023</u>
Furniture and equipment	\$ 3,097,224	\$ 531,637	\$ -	\$ 3,628,861
Accumulated depreciation	<u>(1,137,197)</u>	<u>(328,114)</u>	-	<u>(1,465,311)</u>
Total fixed assets	<u>\$ 1,435,225</u>	<u>\$ 203,523</u>	<u>\$ -</u>	<u>\$ 2,163,550</u>

During the fiscal year, the Library added \$531,637 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		\$ -
Committed for:		
Capital Projects	37,640,445	
Contingencies - Stabilization	<u>5,000,000</u>	<u>42,640,445</u>
		<u>\$ 42,640,445</u>

- *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.

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

4. FUND BALANCES/NET POSITION - continued

	<u>Net Position</u>
Net investment in capital assets	\$ 2,163,550
Unrestricted	<u>41,987,280</u>
Total	<u><u>\$ 44,150,830</u></u>

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 (\$42,640,445) differs from “net position” of governmental activities (\$44,150,830) 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

	<u>General Fund</u>	<u>Reclassifications and Eliminations ¹</u>	<u>Statement of Net Position</u>
Assets:			
Cash and investments	\$ 48,062,101	\$ -	\$ 48,062,101
Cash and investments- restricted	12,715,446	-	12,715,446
Interest receivable	358,778	-	358,778
Other receivables	-	-	-
Capital assets	-	2,163,550	2,163,550
Total assets	<u><u>\$ 61,136,325</u></u>	<u><u>\$ 2,163,550</u></u>	<u><u>\$ 63,299,875</u></u>
Liabilities:			
Accounts payable	\$ 1,184,493	\$ -	\$ 1,184,493
Other current liabilities	4,136,837	-	4,136,837
Eligible donor fund set aside	12,715,446	-	12,715,446
Accrued payroll	459,104	-	459,104
Compensated absences	-	653,165	653,165
Total liabilities	<u><u>18,495,880</u></u>	<u><u>653,165</u></u>	<u><u>19,149,045</u></u>
Fund Balances/Net Position:			
Total fund balances/net position	<u>42,640,445</u>	<u>1,510,385</u>	<u>44,150,830</u>
Total liabilities and fund balances/net position	<u><u>\$ 61,136,325</u></u>	<u><u>\$ 2,163,550</u></u>	<u><u>\$ 63,299,875</u></u>

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.

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

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

The “net change in fund balances” for the General fund \$4,516,379 differs from the “change in net position” for governmental activities \$4,662,275 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:

	General Fund	Reclassifications and Eliminations ¹	Statement of Activities
EXPENDITURES/EXPENSES:			
Contracted employees salaries and benefits	\$ 22,036,642	\$ 57,628	\$ 22,094,270
Supplies and small equipment	7,967,399	-	7,967,399
Contracts and professional services	520,386	-	520,386
Library materials	3,672,568	-	3,672,568
Donor fund set aside	4,319,680	-	4,319,680
Other charges	1,779,409	-	1,779,409
Capital outlay	531,638	(531,638)	-
Depreciation	-	328,114	328,114
Total expenditures/expenses	40,827,722	(145,896)	40,681,826
REVENUES:			
Program revenues:			
Intergovernmental	495,578	-	495,578
Grants	1,460,352	-	1,460,352
Charges for services	263,055	-	263,055
Total program revenues	2,218,985	-	2,218,985
Net program expense	38,608,737	(145,896)	38,462,841
General revenues:			
Property taxes	41,834,144	-	41,834,144
Investment earnings	947,266	-	947,266
Miscellaneous	343,706	-	343,706
Total general revenues	43,125,116	-	43,125,116
REVENUES OVER (UNDER)			
EXPENDITURES	4,516,379		
CHANGE IN NET POSITION		145,896	4,662,275
FUND BALANCES/NET POSITION:			
Beginning of the year	38,124,066	1,364,489	34,488,555
End of the year	\$ 42,640,445	\$ 1,510,385	\$ 39,150,830

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.

San Mateo County Library Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2023

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 provided. During the year ended June 30, 2023, the Library paid the County \$1,390,608 in services charges. \$139,071 for administrative and support services, \$500,437 for insurance and \$274,537 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.

As of June 30, 2023, the amounts transferred for set aside are as follows: Atherton Library \$1,846,331, Portola Valley Library \$40,306, San Carlos Library \$1,269,018, and Woodside Library \$981,182, representing a combined total of \$4,136,838.

As of June 30, 2023, the balance held by the Library in Trust are as follows: Atherton Library \$2,487,041, Foster City \$186,389, Portola Valley Library \$1,414,435, San Carlos Library \$3,240,885, and Woodside Library \$5,386,696, representing a combined total of \$12,715,446 as shown as a charge to excess fund payments on the statement of revenues, expenditures and changes in net position/statement of activities.

As of June 30, 2023 excess County Free Library property taxes with a combined balance of \$3,292,787 remain in accounts currently held by each excess fund city and are to be depleted first before accessing any funds held in the Library's Trust Funds. These amounts are as follows: Atherton Library \$10,681, Woodside Library \$0, Portola Valley Library \$41,221 and San Carlos Library \$3,240,885.

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.

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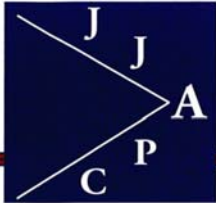
REQUIRED SUPPLEMENTARY INFORMATION

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San Mateo County Library Joint Powers Authority
Required Supplementary Information
For the year ended June 30, 2023

Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1, 2022	\$ 38,124,066	\$ 38,124,066	\$ 38,124,066	\$ -
Resources (inflows):				
Intergovernmental revenue	184,500	184,500	495,578	311,078
Interfund revenue	653,293	653,293	1,460,352	807,059
Charges for services	-	-	263,055	263,055
Taxes	37,752,120	37,752,120	41,834,144	4,082,024
Use of money and property	371,216	371,216	947,266	576,050
Miscellaneous revenue	732,985	732,985	343,706	(389,279)
Total revenues	39,694,114	39,694,114	45,344,101	5,649,987
Amounts available for appropriation	77,818,180	77,818,180	83,468,167	5,649,987
Charges to appropriations (outflows):				
Salaries and benefits	24,656,168	24,656,168	22,036,642	2,619,526
Supplies and small equipment	19,707,268	19,707,268	16,480,033	3,227,235
Other charges	3,668,495	3,668,495	1,779,409	1,889,086
Capital outlay	1,991,000	1,991,000	531,638	1,459,362
Total charges to appropriations	50,022,931	50,022,931	40,827,722	9,195,209
Budgetary fund balance, June 30, 2023	\$ 27,795,249	\$ 27,795,249	\$ 42,640,445	\$ 14,845,196



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 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, the financial statements of the governmental activities and the major fund of San Mateo County Library as of and for the year ended June 30, 2023, 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, 2024.

Report on 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) as a basis for designing 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 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 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 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.

January 4, 2024

JJACPA, Inc.

**JJACPA, Inc.
Dublin, CA**