San Mateo County Libraries

Agenda Item III. B.

To:	JPA Governing Board
From:	Anne-Marie Despain, Director of Library Services Paniz Amirnasiri, Interim Director of Finance
Date:	January 28, 2026
Meeting:	February 2, 2026
Re:	Financial Audit Report for FY 2024-25

Background

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

Discussion

JJACPA, Inc., has completed the audit for the Library's basic financial statements for the year ended June 30, 2025. Attached are the following reports: 1) Communication with those Charged with Governance and Communication of Internal Control Related Matters and 2) Basic Financial Statements for the Year Ended June 30, 2025.

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

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

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

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

Highlights of the Basic Financial Statements for the Year Ended June 30, 2025, are noted below:

- The financial statements of the Library have been prepared in conformity with accounting principles generally accepted in the United States. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with GASB Statement No. 34, the Library has selected the single governmental fund (General Fund) presentation since this reflects the most concise and easily readable presentation for the Library's operations.

- At June 30, 2025, the Libraries' net position increased to $54,735,992 from $49,025,212 in 2024, as shown in the Governmental Funds Balance Sheet/Statement of Net Position on Page 12.

- Operating expenses increased by $273,677, primarily due to negotiated salary increases, including the addition of nine new permanent positions, as well as the expansion of digital materials due to increases in demand.

- General revenues increased by $1,442,936 principally from increases to secured property taxes, including Excess ERAF. Program revenues decreased by $332,861 primarily due to completion of the Millbrae Library Makerspace and the higher loan repayment from the Town of Atherton in the previous year. This year's repayments and Friends of the Library donations are smaller in comparison.

- Additionally, the year was marked with a number of significant accomplishments and system improvements reflecting the Library's values and priorities and highlighted on pages 3-5 of the report.

Fiscal Impact

There is no fiscal impact associated with accepting this report.

Recommendation

Recommend Library JPA Governing Board accept the Financial Audit Report for FY 2024-25.

Attachments

1. Communication with Those Charged with Governance and Communication of Internal Control Related Matters, June 30, 2025
2. Basic Financial Statements for the Year Ended June 30, 2025

SAN MATEO COUNTY LIBRARY JPA

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

JUNE 30, 2025

JJACPA, Inc.
A Professional Accounting Services Corp.

January 8, 2026

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, 2025, and have issued our report thereon dated January 8, 2026. 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 29, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

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

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

Compliance with All Ethics Requirements Regarding Independence

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

Planned Scope and Timing of the Audit

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

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Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by San Mateo County Library is included in Note 1 to the financial statements. As described in Note 8 to the financial statements, the San Mateo County Library changed accounting policies related to compensated absences by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 101, "*Compensated Absences*", in 2024-2025. The implementation of this statement did not have an effect on the financial statements. 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 8, 2026.

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, 2025, 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, 2025

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San Mateo County Library Joint Powers Authority
Basic Financial Statements
For the year ended June 30, 2025

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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, 2025, 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, 2025, 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.

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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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 26 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 8, 2026 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.

JJACPA, Inc.

January 8, 2026

JJACPA, Inc.
Dublin, CA

Management's Discussion and Analysis

This section of the San Mateo County Library Joint Powers Authority's (Library) basic financial statements presents management's discussion and analysis of the Library's financial performance during the fiscal year ended June 30, 2025. 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 12 and 13) and the footnotes (pages 15 - 25).

Financial Highlights & Accomplishments

At June 30, 2025, the Library's net position increased to $54,735,992 from $49,025,212 in 2024, which includes additions of $592,975 in capital assets, all shown in the Governmental Funds Balance Sheet/Statement of Net Position on Page 12. 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 13:

- Operating expenses increased by $273,677, primarily due to negotiated salary increases, including the addition of nine new permanent positions, as well as the expansion of digital materials due to increases in demand.

- Program revenues decreased by $332,861 primarily due to completion of the Millbrae Makerspace and the higher loan repayment from the Town of Atherton in the previous year. This year's repayments and Friends of the Library donations are smaller in comparison. General revenues increased by $1,442,936 principally from increases to secured property taxes including Excess ERAF.

FY 2024-25 Accomplishments

The fiscal year 2024-25 was marked with a number of significant accomplishments and system improvements reflecting the Library's values and priorities. Some of these include:

Strategic Outreach

- Completed the new 2025-2030 Strategic Plan through input from 3,500 community survey respondents, 195 staff participants, 30 stakeholder interviews and five focus groups. The plan reflects a shared vision to listen, connect, discover, and engage.

- Through a partnership with the San Francisco Giants and the Foundation for San Mateo County Libraries, hosted Library Night at Oracle Park, giving out 220 limited edition Giants-themed library cards to new and existing patrons.

- Between July 2024 and March 2025, logged 3,600 miles on outreach vehicles (Makermobile, Bookmobile and book vans), supporting 69 school stops, 143 community stops and 16 special events.

- Launched a multilingual advertising campaign that drew more than 30,000 visits to the Welcome webpage in three months.

Financial Highlights & Accomplishments – continued

Imaginative Programs

- Engaged 3,800 adults in 392 workshops, classes and field trips designed to support cognitive health and social engagement for the 55+ community.
- Launched My Summer Adventure, a learning initiative that invited residents to explore, learn and create through over 650 events.
- Welcomed over 1,500 community members to Adult Learning classes and workshops, including expanded English classes to unincorporated areas of the county and online.
- Added video games and consoles to library collections, with over 4,000 games checked out.
- Offered quarterly Fixit Clinics, inviting neighbors to bring in broken items for disassembly and repair.

Transformative Spaces

- Unveiled the first Library Outpost in Pacifica, offering 24/7 access to materials that are curated and refreshed regularly to reflect community interests, as well as outdoor seating and free WiFi.
- Temporarily closed the Belmont Library for a refresh including new interior and exterior painting, new flooring, upgraded shelving and furniture, and enhanced meeting room technology.
- Finalized plans for a new 6,500-square foot children's play garden at the Atherton Library, developed with the Town and Miller Company landscape architects.
- Completed design plans for a new makerspace on the second floor of San Carlos Library in partnership with the City and Friends of the San Carlos Library.
- Received City Council approval for the updated design and cost estimate of the new East Palo Alto Library.
- Upgraded technology in meeting spaces at all libraries, including updated interactive displays and microphones in large meeting rooms and new displays in small study rooms.

Fostering Wellness

- Introduced blood pressure monitor kits to the collection, available for checkout at all library locations.
- Partnered with local urban forestry nonprofit Canopy to bring hands-on, climate-focused events to our community, including bilingual gardening workshops, tree walks, climate justice presentations and listening sessions led by local environmental experts.

Financial Highlights & Accomplishments – continued

Fostering Wellness, continued

- Welcomed 105 new volunteers and saw an increase in both total volunteer hours and active participants, with 461 volunteers contributing 17,123 hours of service between July 2024 and March 2025.

- Completed over 2,300 hours of training among staff, with nearly 200 staff joining the annual Staff Development Day to shape our Strategic Plan.

- Recognized as a Top Innovator by the Urban Libraries Council for efforts to prevent domestic abuse before it begins by partnering with Community Overcoming Relationship Abuse to deliver an eight-week program helping 250 families with young families build strong, healthy relationships.

Using This Report

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

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

Financial Analysis of the Library as a Whole

Net Position
As of June 30, 2025 and 2024

	2025	2024	Increase (Decrease)	Percent Change
Assets:				
Current assets	$ 67,879,616	$ 65,325,840	$ 2,553,776	3.9%
Non-current assets	2,532,297	2,380,983	151,314	6.4%
Total assets	70,411,913	67,706,823	2,705,090	4.0%
Liabilities				
Current liabilities	14,986,423	18,016,378	(3,029,955)	-16.8%
Non-current liabilities	689,498	665,233	24,265	3.6%
Total liabilities	15,675,921	18,681,611	(3,005,690)	-16.1%
Net position:				
Net investment in capital assets	2,532,297	2,380,983	151,314	6.4%
Unrestricted	52,203,695	46,644,229	5,559,466	11.9%
Total net position	$ 54,735,992	$ 49,025,212	$ 5,710,780	11.6%

This schedule is prepared from the Library's Statement of Net Position (page 12), which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

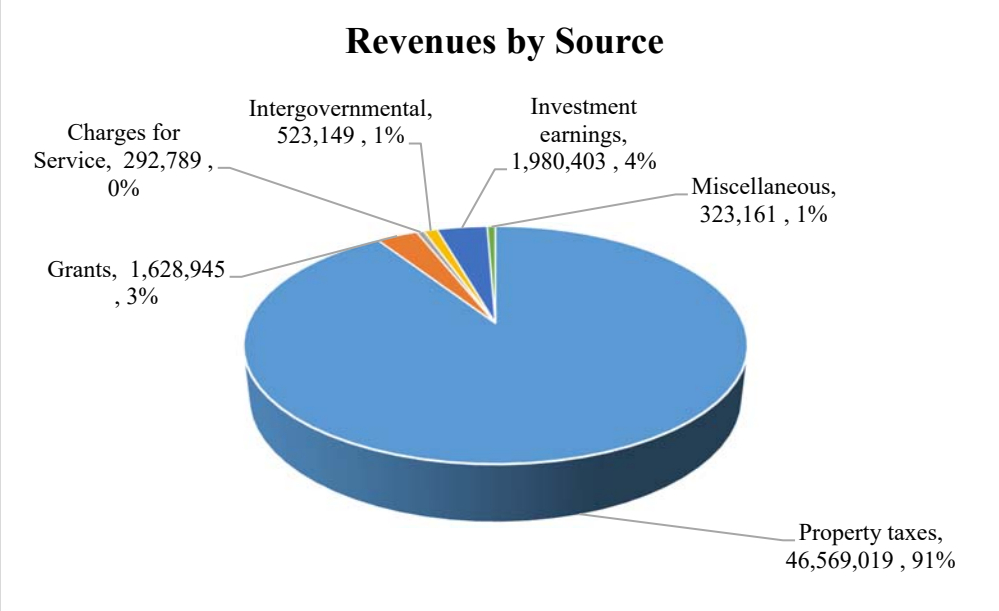
Net position at June 30, 2025, increased to $54,735,992 from $49,025,212 primarily due to increases in secured property tax funds, including Excess ERAF as well as decreases in expenses tied to one-time purchases and projects. The Library had compensated absences of $689,498 at year-end. Current liabilities are primarily due to restricted excess funds held by the Library.

Financial Analysis of the Library as a Whole – continued

	2025	2024	Increase (Decrease)	Percent Change
Operating expenses	$ 45,606,686	$ 45,333,009	$ 273,677	0.6%
Program revenue:				
Intergovernmental	523,149	512,577	10,572	2.1%
Grants	1,628,945	1,983,609	(354,664)	-17.9%
Charges for services	292,789	281,558	11,231	4.0%
Total program revenue	2,444,883	2,777,744	(332,861)	-12.0%
Net operating expenses	43,161,803	42,555,265	606,538	1.4%
General revenue:				
Property taxes	46,569,019	45,429,637	1,139,382	2.5%
Investment earnings	1,980,403	1,618,877	361,526	22.3%
Miscellaneous	323,161	381,133	(57,972)	-15.2%
Total general revenue	48,872,583	47,429,647	1,442,936	3.0%
Increase in net position	5,710,780	4,874,382	836,398	17.2%
Net position:				
Beginning of the year	49,025,212	44,150,830	4,874,382	11.0%
End of the year	$ 54,735,992	$ 49,025,212	$ 5,710,780	11.6%

Program revenues decreased by $332,861 primarily due to completion of the Millbrae Makerspace and the higher loan repayment from the Town of Atherton in the previous year. This year's repayments and Friends of the Library donations are smaller in comparison as this was one-time funding. General revenues increased by $1,442,936 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, 2025:



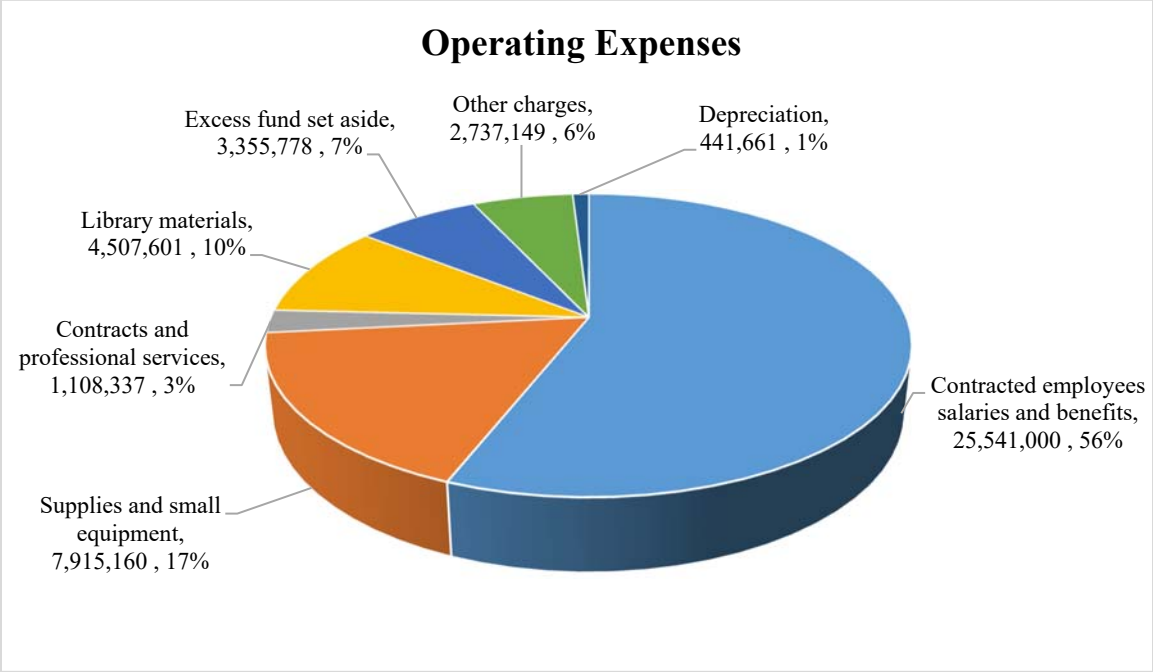
Financial Analysis of the Library as a Whole – continued

Operating Expenses
For the years ended June 30, 2025 and 2024

	2025	2024	Increase (Decrease)	Percent Change
Operating expense:				
Contracted employees salaries and benefits	$ 25,541,000	$ 23,310,081	$ 2,230,919	9.6%
Supplies and small equipment	7,915,160	8,538,258	(623,098)	-7.3%
Contracts and professional services	1,108,337	962,715	145,622	15.1%
Library materials	4,507,601	3,962,969	544,632	13.7%
Excess fund set aside	3,355,778	3,749,487	(393,709)	-10.5%
Other charges	2,737,149	4,392,697	(1,655,548)	-37.7%
Depreciation	441,661	416,802	24,859	6.0%
Total operating expenses	$ 45,606,686	$ 45,333,009	$ 273,677	0.6%
Net investment in capital assets	$ 2,532,297	$ 2,380,983	$ 151,314	6.4%

Operating expenses increased by $273,677, primarily due to negotiated salary increases, including the addition of nine new permanent positions, as well as the expansion of digital materials due to increases in demand.

The following is a graphic illustration of operating expenses for June 30, 2025:



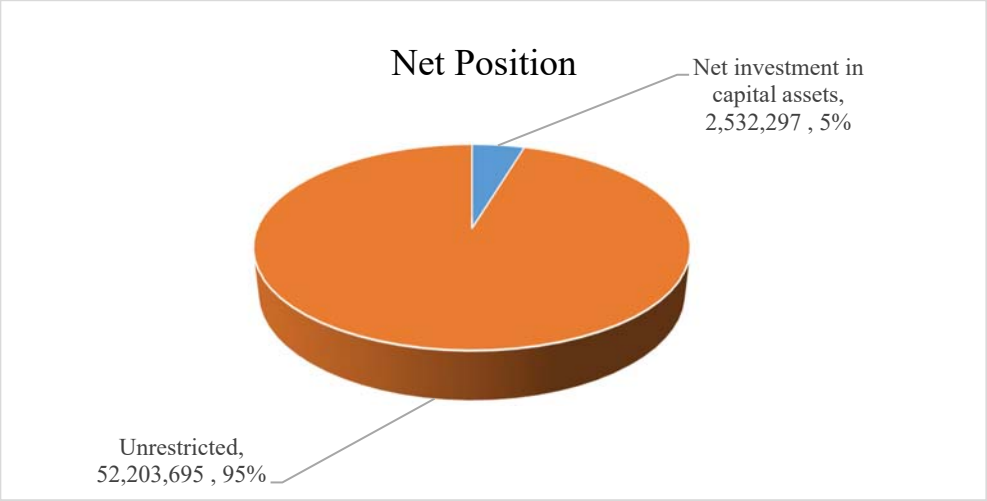
Financial Analysis of the Library as a Whole – continued

Analysis of Net Position
As of June 30, 2025 and 2024

	2025	2024	Increase (Decrease)	Percent Change
Net Position:				
Net investment in capital assets	$ 2,532,297	$ 2,380,983	$ 151,314	6.4%
Unrestricted	52,203,695	46,644,229	5,559,466	11.9%
Total	$ 54,735,992	$ 49,025,212	$ 5,710,780	11.6%

The $5,710,780 increase in net position is primarily due to increases in secured property taxes, including Excess ERAF, as well as the reversal of an accrual from FY 2023-24 to move excess funds to library trust accounts, thereby reducing the $3.7 million liability.

The following is a graphic illustration of net position as of June 30, 2025:



ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the Library budget for fiscal year 2025-2026, 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 $33.4 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.

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

The adopted budget for the new fiscal year 2025-26 was $99,071,733, including reserves of $42,758,763. The $56,312,970 in anticipated expenditures are summarized as follows:

	FY 2025-26	FY 2024-25	Increase (Decrease)	Percentage change
Contracted employees salaries and benefits	$ 29,620,070	$ 26,619,890	$ 3,000,180	11.3%
Services and Supplies	19,626,317	21,131,660	(1,505,343)	-7.1%
Other charges	5,358,335	3,069,788	2,288,547	74.6%
Fixed Assets	1,666,205	1,645,557	20,648	1.3%
Other Financing Uses	42,043	36,353	5,690	15.7%
Total budget	$ 56,312,970	$ 52,503,248	$ 3,809,722	7.3%

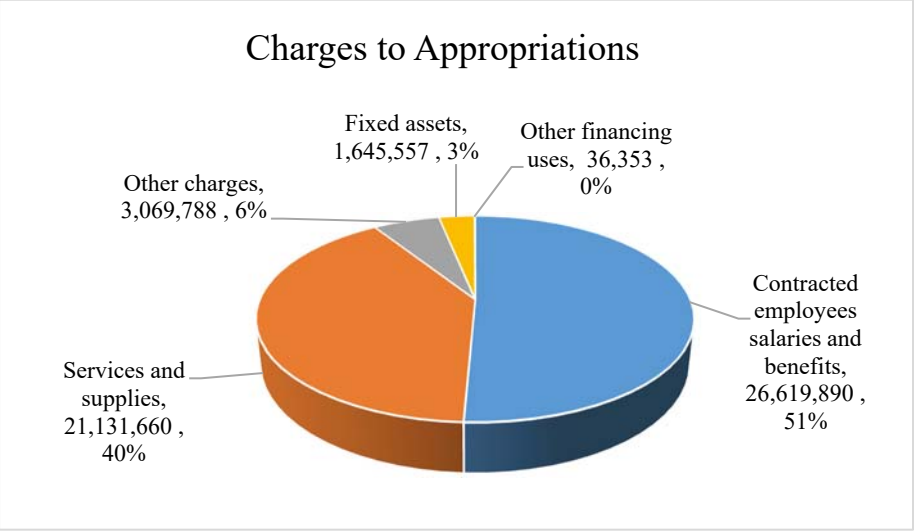
1. Contracted employee's salaries and benefits – Shows an increase of 11.3% primarily due to the addition of nine new positions and County negotiated salary and benefit increases.

2. Services and Supplies – Shows a decrease of 7.1% primarily due to the completion of one-time projects, including deployment of ZoomRooms to all library community rooms, other computer hardware purchases, design and planning costs for Makerspaces, and furniture and shelving updates for facilities.

3. Other charges – Shows an increase of 74.6% primarily due to the addition of design, construction, and furniture costs for the Foster City Makerspace, San Carlos Makerspace, and Atherton Children's Garden.

4. Fixed Assets – Shows an increase of 1.3% due to the addition of nine new outreach vehicles.

5. Other Financing Uses – Shows an increase of 15.7% due to adjustments in County facility charges.



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 Paniz Amirnasiri, Interim Director of Finance and Performance with San Mateo County Libraries, amirnasiri@smcl.org, (833) 937-7625 x10509. 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, 2025

(With comparative totals for June 30, 2024)

	General Fund	Adjustments (Note 5)	Statement of Net Position	2024
ASSETS				
Cash and investments	$ 53,375,803	$ -	$ 53,375,803	$ 52,191,145
Cash and investments - restricted	13,944,423	-	13,944,423	12,651,364
Interest receivable	557,394	-	557,394	481,742
Other receivables	1,996	-	1,996	1,589
Capital assets, net of accumulated depreciation	-	2,532,297	2,532,297	2,380,983
Total assets	$ 67,879,616	$ 2,532,297	$ 70,411,913	$ 67,706,823
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts and sales tax payable	$ 409,126	$ -	$ 409,126	$ 1,143,677
Other current liabilities	-	-	-	3,749,487
Eligible excess fund set aside	13,944,423	-	13,944,423	12,651,364
Accrued payroll	632,874	-	632,874	471,850
Compensated absences	-	689,498	689,498	665,233
Total liabilities	14,986,423	689,498	15,675,921	18,681,611
Fund balances/Net position:				
Nonspendable	-	-	-	-
Committed	52,893,193	(52,893,193)	-	-
Total fund balances	52,893,193	(52,893,193)	-	-
Total liabilities and fund balances	$ 67,879,616			
NET POSITION				
Net investment in capital assets		2,532,297	2,532,297	2,380,983
Unrestricted		52,203,695	52,203,695	46,644,229
Total net position		$ 54,735,992	54,735,992	49,025,212
Total liabilities and net position			$ 70,411,913	$ 67,706,823

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, 2025

(With comparative totals for the year ended June 30, 2024)

	General Fund	Adjustments (Note 6)	Statement of Activities	2024
EXPENDITURES/EXPENSES:				
Contracted employees salaries and benefits	$ 25,516,735	$ 24,265	$ 25,541,000	$ 23,310,081
Supplies and small equipment	7,915,160	-	7,915,160	8,538,258
Contracts and professional services	1,108,337	-	1,108,337	962,715
Library materials	4,507,601	-	4,507,601	3,962,969
Excess fund set aside	3,355,778	-	3,355,778	3,749,487
Other charges	2,737,149	-	2,737,149	4,392,697
Capital outlay	592,975	(592,975)	-	-
Depreciation	-	441,661	441,661	416,802
Total expenditures/expenses	45,733,735	(127,049)	45,606,686	45,333,009
REVENUES:				
Program revenues:				
Intergovernmental	523,149	-	523,149	512,577
Grants	1,628,945	-	1,628,945	1,983,609
Charges for services	292,789	-	292,789	281,558
Total program revenues	2,444,883	-	2,444,883	2,777,744
Net program expenses	43,288,852	(127,049)	43,161,803	42,555,265
General revenues:				
Property taxes	46,569,019	-	46,569,019	45,429,637
Investment earnings	1,980,403	-	1,980,403	1,618,877
Miscellaneous	323,161	-	323,161	381,133
Total general revenues	48,872,583	-	48,872,583	47,429,647
REVENUES OVER (UNDER) EXPENDITURES	5,583,731			
CHANGE IN NET POSITION		127,049	5,710,780	4,874,382
FUND BALANCES/NET POSITION:				
Beginning of the year	47,309,462	1,715,750	49,025,212	44,150,830
End of the year	$ 52,893,193	$ 1,842,799	$ 54,735,992	$ 49,025,212

The accompanying notes are an integral part of these financial statements

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Basis of Accounting

The fund-based financial statement columns (General Fund column) on Pages 12 and 13 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 12 and 13 have been prepared on the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

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

C. Budgets

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

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

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

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

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

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Budgets – continued

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

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

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

D. Property Taxes

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

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

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

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

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

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

E. Cash and Investments

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

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

F. Net Investment in Capital Assets

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

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

Furniture and equipment – 5 to 10 years

2. CASH AND INVESTMENTS

The Library had the following cash and investments at June 30, 2025:

	Not rated	Fair Value
San Mateo County Treasury	$ 50,918,510	$ 50,918,510
San Mateo County Treasury- restricted	13,944,423	13,944,423
California Local Agency Investment Fund (LAIF)	2,457,293	2,457,293
Total	$ 67,320,226	$ 67,320,226

Presentation in Statement of Net Position:	
Cash and investments	$ 53,375,803
Cash and investments- restricted	13,944,423
	$ 67,320,226

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, 2025, approximated fair value of $53,375,803. The restricted cash and investments balance represents the amount held under the excess fund 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.
- California Local Agency Investment Fund (LAIF).
- San Mateo County Treasury

2. CASH AND INVESTMENTS - continued

B. Investments – continued

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.

Fair value of investments. The Library measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than those in Level 1; and
- Level 3: Unobservable inputs.

Debt and equity securities classified as Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches: debt securities are normally valued based on price data obtained from observed transactions and market price quotations from broker dealers and/or pricing vendors; equity securities are valued using fair value per share for each fund. Certificates of deposit classified in level 2 are valued using broker quotes that utilize observable market inputs. Securities classified as Level 3 have limited trade information, these securities are priced or using the last trade price or estimated using recent trade prices.

C. Investments in External Investment Pools

The Library's investments with the County at June 30, 2025, 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, 2025, the Library had $2,457,293 invested directly in LAIF. The LAIF investment pool consisted of derivative products in the form of asset-backed securities in the amount of $3,194.964 million and $3,350.000 million in Structured Notes, each of these investment types representing 2.02% and 1.79% of the total LAIF investment pool, respectively. The current average life of the LAIF portfolio as of June 30, 2025 was 248 days.

As of June 30, 2025, the Library also had $50,918,510 invested directly in the County investment pool. The County investment pool currently holds $729,027 in asset-backed securities, representing 0.01% the total County investment pool. The current average maturity of the portfolio is 2.28 years with an average duration of 2.05 years.

3. CAPITAL ASSETS

Changes in capital assets were as follows:

	July 1, 2024	Additions	Retirements	June 30, 2025
Furniture and equipment	$ 4,214,544	$ 592,975	$ -	$ 4,807,519
Accumulated depreciation	(1,833,561)	(441,661)	-	(2,275,222)
Total fixed assets	$ 2,380,983	$ 151,314	$ -	$ 2,532,297

During the fiscal year, the Library added $592,975 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	47,893,193	
Contingencies - Stabilization	5,000,000	52,893,193
		$ 52,893,193

- *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.

	Net Position
Net investment in capital assets	$ 2,532,297
Unrestricted	52,203,695
Total	$ 54,735,992

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 ($52,893,193) differs from "net position" of governmental activities ($54,735,992) reported in the Statement of Net Position on page 12. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the General fund balance sheet. The effect of the difference is illustrated below:

Balance Sheet/Statement of Net Position

	General Fund	Reclassifications and Eliminations [1]	Statement of Net Position
Assets:			
Cash and investments	$ 53,375,803	$ -	$ 53,375,803
Cash and investments- restricted	13,944,423	-	13,944,423
Interest receivable	557,394	-	557,394
Other receivables	1,996	-	1,996
Capital assets	-	2,532,297	2,532,297
Total assets	$ 67,879,616	$ 2,532,297	$ 70,411,913
Liabilities:			
Accounts and sales tax payable	$ 409,126	$ -	$ 409,126
Eligible excess fund set aside	13,944,423	-	13,944,423
Accrued payroll	632,874	-	632,874
Compensated absences	-	689,498	689,498
Total liabilities	14,986,423	689,498	15,675,921
Fund Balances/Net Position:			
Total fund balances/net position	52,893,193	1,842,799	54,735,992
Total liabilities and fund balances/net position	$ 67,879,616	$ 2,532,297	$ 70,411,913

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

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

The "net change in fund balances" for the General fund $5,583,731 differs from the "change in net position" for governmental activities $5,710,780 reported in the Statement of Activities on page 13. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the General fund. The effect of the difference is illustrated below:

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

	General Fund	Reclassifications and Eliminations [1]	Statement of Activities
EXPENDITURES/EXPENSES:			
Contracted employees salaries and benefits	$ 25,516,735	$ 24,265	$ 25,541,000
Supplies and small equipment	7,915,160	-	7,915,160
Contracts and professional services	1,108,337	-	1,108,337
Library materials	4,507,601	-	4,507,601
Excess fund set aside	3,355,778	-	3,355,778
Other charges	2,737,149	-	2,737,149
Capital outlay	592,975	(592,975)	-
Depreciation	-	441,661	441,661
Total expenditures/expenses	45,733,735	(127,049)	45,606,686
REVENUES:			
Program revenues:			
Intergovernmental	523,149	-	523,149
Grants	1,628,945	-	1,628,945
Charges for services	292,789	-	292,789
Total program revenues	2,444,883	-	2,444,883
Net program expense	43,288,852	(127,049)	43,161,803
General revenues:			
Property taxes	46,569,019	-	46,569,019
Investment earnings	1,980,403	-	1,980,403
Miscellaneous	323,161	-	323,161
Total general revenues	48,872,583	-	48,872,583
REVENUES OVER (UNDER) EXPENDITURES	5,583,731		
CHANGE IN NET POSITION		127,049	5,710,780
FUND BALANCES/NET POSITION:			
Beginning of the year	47,309,462	1,715,750	49,025,212
End of the year	$ 52,893,193	$ 1,842,799	$ 54,735,992

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

7. RELATED PARTY TRANSACTIONS

The Library contracts with the County of San Mateo (County) to provide some administrative, accounting, personnel, and facilities maintenance services. Under these arrangements, the Library pays the County the cost of services provided. During the year ended June 30, 2025, the Library paid the County $2,337,729 in service charges, including $192,853 for administrative and support services, $940,667 for insurance and $425,451 for facilities maintenance services.

Section VI. D. of the San Mateo County Library JPA Agreement states the following:

> *1. 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.*
>
> *2.Excess funds, after deduction of any activities approved by the Governing Board for library related expenditures within a member city, shall be split 50%-50% between the Library JPA and the member city to which those excess funds are attributable.*

In FY 2024-25, a new trust fund was established to hold these Library JPA Excess Fund dollars.

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, 2025, the amounts transferred for set aside are as follows: Atherton Library $1,613,623, San Carlos Library $878,175, and Woodside Library $863,980, representing a combined total of $3,355,778.

As of June 30, 2025, the balance held by the Library in Trust are as follows: Atherton Library $2,280,906, Foster City $163,405, Portola Valley Library $1,341,907, San Carlos Library $2,899,460, and Woodside Library $6,846,146, and Library JPA Excess Funds Trust Fund $412,599 representing a combined total of $13,944,423 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, 2025 excess County Free Library property taxes with a combined balance of $1,875,965 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 $260,160, Woodside Library $5,000, Portola Valley Library $14,313 and San Carlos Library $1,926,142.

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

8. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 100, "*Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*." The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The implementation of this statement did not have an effect on the financial statements.

The GASB has issued Statement No. 101, "*Compensated Absences*." The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The implementation of this statement did not have an effect on the financial statements.

The GASB has issued Statement No. 102, "*Certain Risk Disclosures*." The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition. The implementation of this statement did not have an effect on the financial statements.

The GASB has issued Statement No. 103, "*Financial Reporting Model Improvements*." The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2026.

The GASB has issued Statement No. 104, "*Disclosure of Certain Capital Assets*." The objective of this Statement is to improve the clarity and consistency of note disclosures related to capital assets by requiring governments to separately disclose certain types of capital assets, including lease assets, intangible right-to-use assets, subscription assets, and capital assets held for sale. These enhanced disclosures are intended to provide financial statement users with more decision-useful information about the nature and composition of a government's capital assets. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2026.

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REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule
General Fund
For the year ended June 30, 2025

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary fund balance, July 1, 2024	$ 47,309,462	$ 47,309,462	$ 47,309,462	$ -
Resources (inflows):				
Intergovernmental revenue	768,510	768,510	2,152,094	1,383,584
Interfund revenue	295,292	295,292	267,163	(28,129)
Charges for services	-	-	14,395	14,395
Taxes	41,084,616	41,084,616	46,569,019	5,484,403
Use of money and property	371,216	371,216	1,980,403	1,609,187
Miscellaneous revenue	5,000	5,000	323,161	318,161
Total revenues	42,524,634	42,524,634	51,306,235	8,781,601
Amounts available for appropriation	89,834,096	89,834,096	98,615,697	8,781,601
Charges to appropriations (outflows):				
Salaries and benefits	26,619,890	26,619,890	25,516,735	1,103,155
Supplies and small equipment	21,131,660	21,131,660	7,915,160	13,216,500
Other charges	3,106,141	3,106,141	11,708,865	(8,602,724)
Capital outlay	1,645,557	1,645,557	592,975	1,052,582
Total charges to appropriations	52,503,248	52,503,248	45,733,735	6,769,513
Budgetary fund balance, June 30, 2025	$ 37,330,848	$ 37,330,848	$ 52,881,962	$ 15,551,114

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, 2025, 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 8, 2026.

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.

JJACPA, Inc.

January 8, 2026

JJACPA, Inc.
Dublin, CA