



# Sacramento Public Library Authority

October 27, 2011

**Agenda Item 11.0: Annual Audit Report  
Fiscal Year 2010-11**

**TO: Sacramento Public Library Authority Board Members**

**FROM: Rivkah K. Sass, Library Director  
Denise M. Davis, Deputy Library Director  
Johnny Ea, Finance Manager**

**RE: Annual Audit Report - Fiscal Year 2010-11**

## **RECOMMENDED ACTIONS:**

**Adopt** Resolution 11-53, A Resolution Accepting the Independent Auditor's Report, Financial Statements, Required Supplementary Information, and Supplemental Schedules for the Sacramento Public Library Authority, for the Fiscal Year Ended June 30, 2011

## **INFORMATION**

According to the Joint Exercise of Powers Agreement, the Library Authority shall cause an independent audit of the Authority finances to be made by a certified public accountant or public accountant in accordance with Section 6505 of the Government Code. In February 2009, the Library established a policy to complete the Annual Financial Statements by November 30 of each year.

Management is pleased to report that the independent financial audit associated with fiscal year ending June 30, 2011, has been satisfactorily completed and auditor statements and opinions are contained in the 2011 Audit Report (see Exhibit A).

Independent auditors met with the Budget-Audit Committee of the Authority Board on October 12, 2011 to provide a summary of required communications and discuss issues associated with the audit. Primary issues discussed in the auditor's summary included capitalization of books and materials and the lack of a comprehensive manual of policies and procedures. Books and materials have previously been identified as costs that should be capitalized according to the Governmental Accounting Standards Board (GASB). Management has had discussions with the auditors regarding capitalization of books and materials and will look into recording collections starting with the fiscal year 2011-12 and continue to record collections going forward. In light of changes in staffing within the last two fiscal years, a comprehensive policies and procedures manual has not been fully completed as recommended by the previous and current auditors. However, a number of individual policies and procedures have been completed and staff will continue to document additional policies and procedures as needed. Management has met to discuss this item and anticipates completing a comprehensive manual by end of fiscal year 2012.

Management Letter - Fiscal Year 2011

Other issues presented for consideration by the auditors in the 2011 Management Letter (Attachment C) are being addressed by management, or are otherwise targeted for completion in fiscal year 2012.

Fund Balances Fiscal Year 2011

The Library General Fund is a consolidation of the Library's jurisdictional funds: Shared Cost Fund, County/Cities Fund, Sacramento City Fund, Sacramento Special Tax Fund, Donation Funds and Technology/Phone Replacement Funds. At June 30, 2011, the total fund balance including encumbrances and reserved balances were:

Shared Cost Fund	\$	332,027
County/Cities Fund		19,606,764
Sacramento City Fund		3,188,944
Sacramento Special Tax Fund		3,245,568
Donation Funds		198,466
Technology/Phone Rplce. Funds		210,555
<b>Total General Fund</b>		<b>\$26,782,324</b>

The Donation Funds and Technology/Phone Replacement Funds were newly created in 2011 to better track revenues and expenditures associated with these funding sources.

In addition, two Permanent Funds ended the year with a combined fund balance of \$317,568.

Financial Reporting is done on two bases of accounting – modified accrual basis, which focuses on the use of current resources; and the full accrual basis, a form that focuses on economic exchange – when a transaction is earned or a service provided – not when it is paid.

The term "fund balance" is a term associated with modified accrual. The General Fund balance increased from \$15,952,300 at June 30, 2010 to \$26,782,324 at June 30, 2011, principally due to a timing difference in the receipt of County revenues and project reimbursements. These revenues were received shortly after the cutoff date to be recognized as revenues in fiscal year 2010 and were subsequently recorded as revenues in 2011. Under the full accrual basis of accounting, both revenues were recognized in 2010 and are adjusted out in the 2011 Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances on page 9 of the audited financial statements.

The above cited page shows revenues on both a modified accrual and full accrual basis of accounting.

As noted in Management's Discussion and Analysis on page 3 of the audited financial statements, the Library Authority is in compliance with GASB No. 54 requirements. The Statement of Net Assets and Governmental Funds Balance Sheet on page 8 of the audited financial statements shows the components of fund balance reported in accordance with GASB No. 54. Of the \$26,782,324 in

total General Fund balance, \$22,078,454 is classified as Unassigned; \$3,769,702 is Restricted for the Assessment District, Donations and Grant Programs; and other smaller amounts are either classified as Nonspendable, Committed or Assigned.

Overall, the 2011 General Fund revenues of \$45,920,353 are \$19,330,321 or 72.70% higher than the prior year amount of \$26,590,032, mainly due to the timing of the receipt of County funding and project reimbursements.

The 2011 General Fund expenditures of \$35,090,329 decreased by \$2,776,108 or 7.33% from the prior year amount of \$37,866,437. The decrease is attributed to higher reimbursed improvement projects in the prior year and more money spent in 2010 for the purchase of books, pamphlets and equipment for the three new City-funded branches.

### **ATTACHMENTS**

Attachment A: Communication Letter – Fiscal Year 2010-11

Attachment B: Compliance Report – Fiscal Year 2010-11

Attachment C: Management Letter – Fiscal Year 2010-2011

Resolution 11-53, A Resolution Accepting the Independent Auditor's Report, Financial Statements, Required Supplementary Information, and Supplemental Schedules for the Sacramento Public Library Authority, for the Fiscal Year Ended June 30, 2011

Exhibit A: Independent Auditor's Reports, Financial Statements, Required Supplementary Information, and Supplemental Schedules for the Sacramento Public Library Authority for the Fiscal Year Ended June 30, 2011

**THIS PAGE INTENTIONALLY LEFT BLANK**

## Richardson & Company

550 Howe Avenue, Suite 210  
Sacramento, California 95825

Telephone: (916) 564-8727  
FAX: (916) 564-8728

October 3, 2011

To the Board of Directors  
Sacramento Public Library Authority  
Sacramento, California

We have audited the financial statements of the governmental activities and each major fund of the Sacramento Public Library Authority (the Authority), for the year ended June 30, 2011, and have issued our report thereon dated October 3, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 15, 2010. Professional standards require that we provide you with the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. The Authority implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which changed the definitions of fund balance classifications. Due to the implementation of this Statement, the Authority no longer reports fund balance reserves and designations and instead reports fund balance restrictions, commitments and assignments according to the definitions documented in Note 2 of the financial statements. The application of existing policies was not changed during the year. We noted no transaction entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Accounting estimates are used in determining the depreciable lives and methods used for capital assets, the allowance for uncollectible accounts receivable, compensated absences, the other postemployment benefits liability and the amount of accrued liabilities recorded. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events.

#### *Difficulties Encountered in Performing the Audit*

No significant difficulties were encountered in dealing with management in performing and completing our audit.

To the Board of Directors  
Page 2

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. There were 14 audit adjustments and closing entries posted during the audit. Adjustments included truing up capital assets to the detailed schedules, truing up fund balance classifications, accruing and/or deferring County contributions and Teeter revenue and various reclassifications for reporting purposes.

### *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 that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 3, 2011.

### *Management Consultations With Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Issues Discussed Prior to Retention of Independent Auditors*

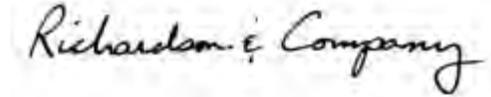
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### *Other Information in Documents Containing Audited Financial Statements*

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

To the Board of Directors  
Page 3

This information is intended solely for the use of the Board of Directors and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Richardson & Company". The signature is written in dark ink on a light-colored background.

October 3, 2011

**THIS PAGE INTENTIONALLY LEFT BLANK**

SACRAMENTO PUBLIC LIBRARY AUTHORITY

COMPLIANCE REPORT

JUNE 30, 2011

## Richardson & Company

550 Howe Avenue, Suite 210  
Sacramento, California 95825

Telephone: (916) 564-8727  
FAX: (916) 564-8728

### 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*

To the Board of Directors  
Sacramento Public Library Authority  
Sacramento, California

We have audited the financial statements of the Sacramento Public Library Authority (the Authority) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 3, 2011. The report was qualified because the Authority excludes from the statement of net assets books and periodicals that, in our opinion, should be capitalized in order to conform to accounting principles generally accepted in the United States of America. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting 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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described the accompanying schedule of prior year findings and responses, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompany schedule of prior year findings and responses as Finding 2007-5 to be a material weakness.

To the Board of Directors  
Sacramento Public Library Authority

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. We consider the deficiency described in the accompany schedule of prior year findings and responses as Finding 2007-4 to be a significant deficiency.

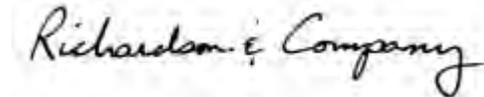
#### Compliance and Other Matters

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

We noted certain other matters that we reported to management of the Authority in a separate letter dated October 3, 2011.

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of prior year findings and responses. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Authority's Board of Directors, management, and the federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



October 3, 2011

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

JUNE 30, 2011

## Status of Prior Year Findings:

Finding 2007-4

Status: This condition still existed during the fiscal year ending June 30, 2011.

Condition: The Authority's written accounting policies and procedures are incomplete. This condition was noted in a prior year audit as a finding 2007-4.

Recommendation: We recommend that the Authority finalize and implement its written accounting policies and procedures.

Previous Response for Finding: Management concurs with the recommendation of finalizing and implementing written policies and procedures. In the previous response, management stated in part or in whole the following:

In January 2009, staff presented to the Board a list of issues as a result of its own Internal Assessment, which included the need to establish comprehensive system-wide policy and procedures manuals to assist in Authority operations. The manuals are targeted to be completed by June 30, 2010.

Significant inroads have been made in the documentation of implementation of financial policies and procedures. During fiscal year 2009 the Authority Board received and accepted the following for which training has commenced and is ongoing. Internal Control Policy and Procedures, Contracts and Procurement Policy, Library Branch Cash Handling Policy and Procedures, Review and approval of Processed Payroll Policy and Procedures, a revised Investment Policy, Travel Policy and Procedures, and Monthly, Quarterly, and Annual Closing Policy and Procedures.

As part of the Authority's own internal assessment, which includes regular tracking and completion of established goals, the Authority has continued its path to developing a formal comprehensive manual of policies and procedures.

Management's Response: Staff are reviewing the currently adopted policies as well as compiling the policies into a policies and procedures manual. Our goal is to adopt the comprehensive manual in the near future.

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

JUNE 30, 2011

Finding 2007-5

Status: This condition still existed during the fiscal year ending June 30, 2011.

Condition: The Authority does not capitalize its library books and materials.

Recommendation: We recommend that management determine and record cost and accumulated depreciation of its library books and materials, and record them as depreciable assets if it believes the benefits of complying with generally accepted accounting principles outweighs the costs of compiling the and recording the capital assets. The opinion will continue to be qualified until capital assets are reported by the Authority.

Previous Response for Finding: The Library has investigated best practice and standards in the library industry and finds no consistent implementation of reliable and extensible schemes for capitalizing and depreciating library materials. Due to the variability of use, the life of an item cannot be accurately estimated. Because of these irregularities the Library has no immediate plans to establish a capitalization schedule for its more than 2 million item circulating collection, nor its commercial subscription full text database and digital downloadable content. However, the Library will reconsider its decision should library standards be established for materials capitalization.

Management's Response: The Library has decided it will begin to capitalize its library books and materials and has begun the process of accumulating the information necessary to do this. The Library's plan is to build a database of books and materials starting with the current year and adding subsequent years until they have a complete listing.

**THIS PAGE INTENTIONALLY LEFT BLANK**

## Richardson & Company

550 Howe Avenue, Suite 210  
Sacramento, California 95825

Telephone: (916) 564-8727  
FAX: (916) 564-8728

To the Board of Directors and Management  
Sacramento Public Library Authority  
Sacramento, California

In planning and performing our audit of the financial statements of the governmental activities and each major fund of the Sacramento Public Library Authority (the Authority) for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for determining 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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. We consider the following deficiency in internal control to be a material weakness:

### Recording Library Books

Governmental Accounting Standards Board Statement No. 34 requires library books with a life of greater than one year to be capitalized and depreciated. We understand the Authority's management is considering the steps necessary to quantify, record and depreciate the library books.

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. We consider the following deficiency in the Authority's internal control to be a significant deficiency:

To the Board of Directors and Management  
Page 2

### Policies and Procedures Manual

The predecessor auditor considered the lack of documented policies and procedures to be a significant deficiency during the 2006 audit and has reported the status of the recommendation to approve a policies and procedures manual each year since that date. We understand a number of policies and procedures have been accepted by the Board during Fiscal Year 2009 through 2011, but that a comprehensive policies and procedures manual has not yet been completed. We also recommend the Authority approve a policies and procedures manual.

We also noted the following matters that have been included for your consideration:

### Internal Control and Accounting Issues

We noted payments received from other governmental jurisdictions for building improvements originally paid by the Authority, but later reimbursed by other jurisdictions, were included with internal improvements in capital outlay expense accounts. We recommend the Authority use separate revenue and expense accounts for improvements reimbursed by other jurisdictions so they may be separately reported.

We noted two instances where daily cash tally sheets were not signed by Library staff members performing the counts and one instance where a cash sheet was not signed by the supervisor reviewing the count sheets. Although we determined the count sheets were properly prepared and reviewed, we recommend that the preparer and reviewer of the daily cash tally sheet sign the sheet according to the Authority's policy.

We noted no initial or signature evidencing the review of the May 2011 American Express credit card invoice, although we noticed other evidence indicating that the invoice was properly reviewed. We recommend that the approving official document their review with an initial or signature.

A small number of closing entries were posted by the interim finance manager with no review by a supervisor before he realized accounting staff should be posting the closing entries subject to his review. Although only a few entries were actually posted by the finance manager with no review, the ability for the finance manager to post entries with no review provides the opportunity for management override of controls. We recommend that the finance manager have accounting staff post journal entries subject to his review and if the finance manager creates journal entries, they be reviewed by another member of management before they are posted.

Catering receivables are being tracked manually in the event planner software and in a paper file but are not recorded in the Library's general ledger. We recommend at year-end the Galleria staff provide the Finance department with the outstanding catering receipts to allow the recording of the catering revenues in the proper period.

We noted the paid time-off (PTO) calculation used to report the current and long-term portion of compensated absences showed net additions and reductions in PTO for some employees instead of actual additions due to PTO earned and actual reductions for PTO used. We recommend the report show actual additions for PTO earned and reductions for PTO used so these changes may be used to derive the current portion of compensated absences for financial reporting.

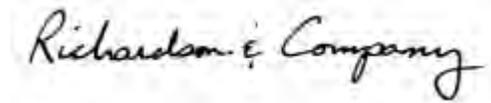
It appeared a small amount of interest on Permanent Fund assets was posted directly in the General Fund rather than being posted in the Permanent Fund. We recommend that interest earned on Permanent Fund assets that are approved to be spent on General Fund expenditures first be recognized in the Permanent

To the Board of Directors and Management  
Page 3

Fund and then a transfer out be recorded to show the interest being moved to the General Fund for use on qualifying expenditures.

\* \* \* \* \*

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specific parties.

A handwritten signature in cursive script that reads "Richardson & Company". The signature is written in dark ink on a light-colored background.

October 3, 2011

**THIS PAGE INTENTIONALLY LEFT BLANK**



# Sacramento Public Library Authority

## RESOLUTION 11-53

Adopted by the Governing Board of the Sacramento Public Library Authority on the date of:

October 27, 2011

### **A RESOLUTION ACCEPTING THE INDEPENDENT AUDITOR’S REPORT, FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION, AND SUPPLEMENTAL SCHEDULES FOR THE SACRAMENTO PUBLIC LIBRARY AUTHORITY, FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

BE IT HEREBY RESOLVED BY THE GOVERNING BOARD OF THE SACRAMENTO PUBLIC LIBRARY AUTHORITY AS FOLLOWS:

1. The Independent Auditor’s Report, Financial Statements, Required Supplementary Information, and Supplemental Schedules for the Sacramento Public Library Authority, for the Fiscal Year Ended June 30, 2011 as shown in Exhibit A is accepted.

\_\_\_\_\_  
Sandy Sheedy, Chair

ATTESTED: Rivkah K. Sass, Secretary

BY: \_\_\_\_\_  
Brenda Haggard, Assistant Secretary

#### **ATTACHMENT**

Exhibit A: Independent Auditor’s Reports, Financial Statements, Required Supplementary Information, and Supplemental Schedules for the Sacramento Public Library Authority for the Fiscal Year Ended June 30, 2011

**THIS PAGE INTENTIONALLY LEFT BLANK**

SACRAMENTO PUBLIC LIBRARY AUTHORITY

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2011

SACRAMENTO PUBLIC LIBRARY AUTHORITY

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2011

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditor’s Report..... 1  
 Management’s Discussion and Analysis..... 3

BASIC FINANCIAL STATEMENTS

Statement of Net Assets and Governmental Funds Balance Sheet ..... 8  
 Statement of Activities and Governmental Funds Revenues,  
 Expenditures and Changes in Fund Balances ..... 9  
 Notes to the Basic Financial Statements ..... 10

REQUIRED SUPPLEMENTARY INFORMATION

Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual - General Fund ..... 24  
 Schedule of Funding Progress - Employee Retirement Plan with PERS..... 25  
 Schedule of Funding Progress – Other Postemployment Benefits  
 Plan ..... 26

# Richardson & Company

550 Howe Avenue, Suite 210  
Sacramento, California 95825

Telephone: (916) 564-8727  
FAX: (916) 564-8728

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Sacramento Public Library Authority  
Sacramento, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sacramento Public Library Authority (the Authority), as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained *Government Auditing Standards* issued by the Comptroller General of the United States and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The Authority has excluded from the accompanying statement of net assets, books and periodicals that, in our opinion, should be capitalized in order to conform to accounting principles generally accepted in the United States of America. The increase in net capital assets, net assets and change in net assets as of and for the year ended June 30, 2011, if the books and periodicals were capitalized is not determinable as of the date of this report.

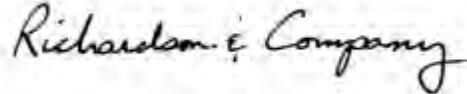
In our opinion, except for the effects of not capitalizing books and periodicals, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2011 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2011, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control

To the Board of Directors  
Sacramento Public Library Authority

over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 3 through 7 and 24 through 26 be presented to supplement the basic financial statements. Such information, although not 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.

A handwritten signature in cursive script that reads "Richardson & Company". The signature is written in dark ink and is positioned to the right of the main text block.

October 3, 2011

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

The management of the Sacramento Public Library Authority (the Authority) is pleased to provide this overview and analysis of the financial activities of the Authority for the year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the Financial Statements and the Required Supplementary Schedules that follow this discussion.

**Financial Highlights**

The net assets of the Authority as of June 30, 2011 are \$26,539,404 compared to that of the prior year balance of \$28,264,150. The decrease is due primarily from actual revenues coming in higher than budgeted and overall actual expenditures ended the year under budget, resulting in the use of \$1,724,746 of net assets instead of the projected decrease in net assets of \$7,626,238. Of the current year net assets balance, \$1,701,330 is invested in capital assets; \$3,245,568 is restricted during the remaining term of the special assessment to provide income for future operations; \$439,066 is restricted for donor approved projects; \$317,568 is restricted as described in Note 2 regarding the Permanent Fund; \$85,068 is restricted for grant programs and the remaining \$20,750,804 is unrestricted.

The Authority's cash and investments balance at June 30, 2011 was \$28,004,396, an increase of \$9,810,717 from the prior year balance of \$18,193,679. The increase is due primarily from the timing of County funding that was deferred in the prior year and received in the fiscal year end 2011.

For the year ended June 30, 2011 program revenues in the Statement of Activities were \$32,494,517, which represents a decrease of \$5,108,136 from the prior year. Again, the decrease is mainly attributed to the timing of receipt of County funding as described in Note 4. Additionally, general revenues were \$1,653,120 for the year ended 2011, an increase of \$348,652 from the prior year amount of \$1,304,468. Education expenditures for fiscal year ended 2011 were \$35,872,383, a decrease of \$1,558,097 from the 2010 fiscal year amount of \$37,430,480. The decrease is largely due to higher reimbursed improvement projects in the prior year and more money was spent on purchasing books and pamphlets for the three new City branches in 2010. Capital outlay expenditures for fiscal year 2011 was \$129,718, representing a significant decrease from the prior year amount of \$1,296,318, mainly due to the acquisition of library equipment for the new branches in 2010.

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Government Fund Type Definitions with compliance effective with the fiscal year ended June 30, 2011. This new standard does not change the total amount of a given fund balance, but it substantially alters the categories and terminology used to describe the components that make up a fund balance. The Authority's Governmental Funds Balance Sheet, as shown on page 8 of this report has been presented in compliance with GASB No. 54 requirements. Overall, the General Fund and Permanent Fund ended the year with fund balances of \$26,782,324 and \$317,568 respectively, for a combined fund balance of \$27,099,892.

All financial assets of the Authority continue to be devoted to providing library services to the citizens of Sacramento County and the cities of Citrus Heights, Elk Grove, Galt, Isleton, Rancho Cordova, and Sacramento.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which are comprised of the following components, in addition to management's discussion and analysis: 1) Authority government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The Authority government-wide and fund financial statements are

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

presented in a combined format on pages 8 and 9. Items in the adjustment column are discussed in Notes 3 and 4.

The Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 34, No. 37, and No. 38 for the year ended June 30, 2002. The intent of GASB Statement No. 34 is to reflect all assets and liabilities of the Authority. It also redefines the way various funds are classified into fund types and focuses attention on major funds. The Authority has only governmental-type funds and all are major.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

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

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority has two funds, both of which are governmental-type funds.

Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Authority's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a column detailing the differences (adjustments) between the governmental funds and governmental activities. These adjustments are discussed in further detail in Notes 3 and 4 of the basic financial statements.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10 through 23 of this report.

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

**Government-Wide Financial Analysis**

The government-wide financial statements provide long-term and short-term information about the Authority's overall financial condition. This analysis addresses the financial statements of the Authority as a whole.

As noted earlier, net assets may serve over time as a useful indicator of the Authority's financial position. At June 30, 2011, Authority's assets exceeded its liabilities by \$26,539,404 representing a decrease of \$1,724,746 from the prior year.

## CONDENSED STATEMENTS OF NET ASSETS

(Amounts shown in thousands)

	June 30,	
	2011	2010
<b>ASSETS</b>		
Current and other assets	\$ 28,987	\$ 30,826
Capital assets	1,701	2,295
	<u>30,688</u>	<u>33,121</u>
Total assets	<u>\$ 30,688</u>	<u>\$ 33,121</u>
<b>LIABILITIES</b>		
Long-term liabilities	\$ 2,417	\$ 2,368
Other liabilities	1,732	2,489
	<u>4,149</u>	<u>4,857</u>
Total liabilities	<u>4,149</u>	<u>4,857</u>
<b>NET ASSETS</b>		
Invested in capital assets	1,701	2,295
Restricted	4,087	4,775
Unrestricted	20,751	21,194
	<u>26,539</u>	<u>28,264</u>
Total net assets	<u>\$ 26,539</u>	<u>\$ 28,264</u>

The final budget of the General Fund anticipated that there would be expenditures of \$40,693,694 while actual expenditures were \$35,090,329 resulting in positive variance of \$5,603,635. Excess of revenues over expenditures in the General Fund increased the previous year's fund balance by \$10,830,024. In addition, investment valuations of the Moore Memorial and Fratt Memorial Trusts, accounted for in the Permanent Fund added another \$23,268 to fund balance. These two changes plus the negative adjustments outlined in Note 4 of the Notes to the Basic Financial Statements of \$12,578,038 account for the overall decrease in net assets of \$1,724,746.

Overall revenues decreased by \$4.8 million, while total spending decreased by approximately \$1.6 million. Salaries and benefits held steady from last year, but were \$2.1 million less than budgeted. Cost savings are recognized when actual expenditures are less than budgeted.

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

## CONDENSED STATEMENTS OF ACTIVITIES

(Amounts shown in thousands)

	June 30,	
	<u>2011</u>	<u>2010</u>
<b>REVENUES</b>		
Program revenues:		
Charges for services	\$ 5,502	\$ 5,366
Operating grants and contributions	26,992	32,237
General revenues:		
Gifts and donations	910	688
Investment income	417	501
Other	326	115
Total revenues	<u>34,147</u>	<u>38,907</u>
<b>EXPENSES</b>		
Education	<u>35,872</u>	<u>37,430</u>
(Decrease) increase in net assets	(1,725)	1,477
Net assets, beginning of year	<u>28,264</u>	<u>26,787</u>
Net assets, end of year	<u>\$ 26,539</u>	<u>\$ 28,264</u>

**Financial Analysis of the Authority's Governmental Funds**

The focus of the Authority's funds, all of which are governmental-type funds, is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, fund balance may serve as a useful measure of the Authority's net resources available for spending for program purposes at the end of the fiscal year.

As of June 30, 2011, the Authority had ending fund balances of \$27,099,892 compared to the June 30, 2010 ending fund balances of \$16,246,600. The \$10,853,292 increase in fund balance is mainly due to the timing of receipt of County funding and reimbursements from the City of Sacramento for library branch construction and books from the prior year. The Authority's major source of revenues is member contributions. The Authority's major expenditures are personnel costs. Note that the government-wide financial analysis is fairly applicable to the governmental funds with the exception of conversion discussion, as shown in Notes 3 and 4.

**General Fund Budgetary Highlights**

The General Fund amended final budget projected a total decrease in fund balance of \$7,626,238. Actual total revenues were higher than estimated by \$12,852,627 as a result of timing differences. Savings of \$2,055,331 were realized in salaries and benefits due to position vacancies. Additional savings of \$838,656 were recognized in services and supplies; \$980,161 in savings from books and pamphlets and \$1,729,487 in capital outlay savings, including library improvements, due to some timing differences and efforts to hold down costs in this dismal economy. Additional budget information can be found in the required supplemental section of this report.

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

**Capital Assets and Debt Administration****Capital Assets**

The Authority's investment in capital assets, net of accumulated depreciation is \$1,701,330 and \$2,295,203 as of June 30, 2011 and 2010, respectively. Capital assets purchased during the current year amount to \$129,718, comprised mostly of major computer replenishment, self check machines and furnishings and improvements. Additional information on the Authority's capital assets can be found in Note 7 of this report.

Since inception, the Authority has expensed the purchase of all books and materials. To be consistent with GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Authority would need to capitalize the purchase of all books and materials. The Authority does not plan to capitalize the purchase of books and materials at this time.

**Long-term Liabilities**

As of June 30, 2011 the Authority's long-term liabilities consist of compensated absences and post employment benefit obligations. The total current year balance is \$2,763,259, an increase of \$188,181 from the prior year balance of \$2,575,078. Of the current year amount \$346,297 is due within one year. Additional information on the Authority's long-term liabilities can be found in Note 9 of this report.

**Future Events That Will Financially Affect the Authority**

The Authority has some concerns that the State of California's budget situation may affect funding during the next fiscal year. The Authority has included in its budget the potential impact of this possibility. Additionally, the Authority may be impacted by reduced contributions from both the County and City of Sacramento due to the impact of the State's actions on their revenues, resulting from the poor economic conditions experienced during the current year. As a result, the Authority has set aside \$3,070,970 of unassigned fund balance and another \$437,290 from the restricted fund balance (Assessment District) in the General Fund for economic uncertainty as of June 30, 2011.

**Contacting the Authority's Financial Management**

This financial report is designed to provide a general overview of the Authority's finances, and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Department of Finance, 828 I Street, 4th Floor, Sacramento, CA 95814.

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2011

	General Fund	Permanent Fund	Total Governmental Funds	Adjustments (Note 3)	Statement of Net Assets
<b>ASSETS</b>					
Cash and investments	\$ 27,686,828	\$ 317,568	\$ 28,004,396		\$ 28,004,396
Receivables:					
Due from County of Sacramento	739,726		739,726		739,726
Due from City of Sacramento	115,174		115,174		115,174
Other	59,534		59,534		59,534
Prepaid expenditures	30,512		30,512		30,512
Accrued interest receivable	37,318		37,318		37,318
Capital assets depreciated, net				\$ 1,701,330	1,701,330
<b>TOTAL ASSETS</b>	<b>\$ 28,669,092</b>	<b>\$ 317,568</b>	<b>\$ 28,986,660</b>	<b>\$ 1,701,330</b>	<b>\$ 30,687,990</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 454,148		\$ 454,148		\$ 454,148
Salaries and benefits payable	822,879		822,879		822,879
Deferred revenue	579,991		579,991	\$ (501,441)	78,550
Deposits	29,750		29,750		29,750
Other postemployment benefits obligation				849,000	849,000
Compensated absences:					
Due within one year				346,297	346,297
Due in more than one year				1,567,962	1,567,962
<b>TOTAL LIABILITIES</b>	<b>1,886,768</b>		<b>1,886,768</b>	<b>2,261,818</b>	<b>4,148,586</b>
<b>FUND BALANCES/NET ASSETS</b>					
Fund balances:					
Nonspendable:					
Prepaid expenditures	30,512		30,512	(30,512)	
Trust obligations - nonspendable		\$ 131,181	131,181	(131,181)	
Restricted for:					
Assessment District Carryover	3,245,568		3,245,568	(3,245,568)	
Donations	439,066		439,066	(439,066)	
Grant programs	85,068		85,068	(85,068)	
Trust obligations - spendable		186,387	186,387	(186,387)	
Committed to:					
Supplemental services	385,276		385,276	(385,276)	
Open contracts	111,185		111,185	(111,185)	
Assigned to:					
Equipment replacement	210,555		210,555	(210,555)	
Open contracts	176,867		176,867	(176,867)	
Branch operations and maintenance	19,773		19,773	(19,773)	
Unassigned	22,078,454		22,078,454	(22,078,454)	
<b>TOTAL FUND BALANCES</b>	<b>26,782,324</b>	<b>317,568</b>	<b>27,099,892</b>	<b>(27,099,892)</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 28,669,092</b>	<b>\$ 317,568</b>	<b>\$ 28,986,660</b>		
<b>NET ASSETS</b>					
Invested in capital assets				1,701,330	1,701,330
Restricted for:					
Extension of services and operating hours				3,245,568	3,245,568
Donations and gifts				439,066	439,066
Trust obligations - expendable				186,387	186,387
Trust obligations - nonexpendable				131,181	131,181
Grant programs				85,068	85,068
Unrestricted				20,750,804	20,750,804
<b>TOTAL NET ASSETS</b>				<b>\$ 26,539,404</b>	<b>\$ 26,539,404</b>

The accompanying notes are an integral part of these financial statements.

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended June 30, 2011

	General Fund	Permanent Fund	Total Governmental Funds	Adjustments (Note 4)	Statement of Activities
<b>REVENUES</b>					
Program revenues:					
Charges for services:					
Assessments and taxes	\$ 4,470,626		\$ 4,470,626		\$ 4,470,626
Fines, fees and penalties	726,266		726,266		726,266
Facility rental income	237,378		237,378		237,378
Galleria catering and other	68,045		68,045		68,045
Operating grants and contributions:					
County contributions	26,706,522		26,706,522	\$ (8,995,602)	17,710,920
City contributions	7,925,240		7,925,240		7,925,240
Other agency contributions	121,640		121,640		121,640
Reimbursements	3,008,024		3,008,024	(2,804,904)	203,120
State appropriations	694,732		694,732		694,732
Federal and State grants	336,550		336,550		336,550
Total program revenues	<u>44,295,023</u>		<u>44,295,023</u>	<u>(11,800,506)</u>	<u>32,494,517</u>
General revenues:					
Gifts and donations	909,552		909,552		909,552
Investment income (loss)	394,071	\$ 23,268	417,339		417,339
Other	321,707		321,707	4,522	326,229
Total general revenues	<u>1,625,330</u>	<u>23,268</u>	<u>1,648,598</u>	<u>4,522</u>	<u>1,653,120</u>
<b>TOTAL REVENUES</b>	<u>45,920,353</u>	<u>23,268</u>	<u>45,943,621</u>	<u>(11,795,984)</u>	<u>34,147,637</u>
<b>EXPENDITURES/EXPENSES:</b>					
Education:					
Current:					
Salaries and benefits	23,087,526		23,087,526	188,181	23,275,707
Services and supplies	8,175,617		8,175,617		8,175,617
Books and pamphlets	3,501,771		3,501,771		3,501,771
Reimbursed improvements	195,697		195,697		195,697
Depreciation				723,591	723,591
Capital outlay	129,718		129,718	(129,718)	
<b>TOTAL EXPENDITURES</b>	<u>35,090,329</u>		<u>35,090,329</u>	<u>782,054</u>	<u>35,872,383</u>
<b>CHANGE IN FUND BALANCE/NET ASSETS</b>	<u>10,830,024</u>	<u>23,268</u>	<u>10,853,292</u>	<u>(12,578,038)</u>	<u>(1,724,746)</u>
Fund balance/net assets beginning of year	<u>15,952,300</u>	<u>294,300</u>	<u>16,246,600</u>	<u>12,017,550</u>	<u>28,264,150</u>
<b>FUND BALANCE/NET ASSETS END OF YEAR</b>	<u>\$ 26,782,324</u>	<u>\$ 317,568</u>	<u>\$ 27,099,892</u>	<u>\$ (560,488)</u>	<u>\$ 26,539,404</u>

The accompanying notes are an integral part of these financial statements.

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

## NOTE 1 - ORGANIZATION

The Sacramento Public Library Authority (the Authority) was created under a joint powers agreement between the City and County of Sacramento on August 31, 1993. On July 1, 2007, a joint exercise of powers agreement was modified to include the County of Sacramento and the Cities of Citrus Heights, Elk Grove, Galt, Isleton, Rancho Cordova and Sacramento (the Members). The purpose of the Authority is to provide information services to the people of the unincorporated areas of the County of Sacramento (the County) and the Cities of Citrus Heights, Elk Grove, Galt, Isleton, Rancho Cordova, and Sacramento.

Library services are provided through the central branch, three bookmobiles and 28 branches. Three of the branches are operated under agreements with school districts that are not members of the Authority. Special programs include children's story time, interlibrary loan service, literacy instruction for adults, centralized and telephone reference information and book-by-mail service. The Library also operates a facility that is leased for events at the Central Library called the Galleria, which generates rental income, catering and other fees.

The Authority's governing board (Board) is comprised of representatives of each Member, including five representatives of the County of Sacramento Board of Supervisors, five representatives of the City Council of the City of Sacramento, one representative of the City Councils of the Cities of Citrus Heights, Elk Grove and Rancho Cordova and one representative that is shared between the City Councils of the Cities of Galt and Isleton. The Library Director serves as the Chief Administrative Officer of the Authority and as Secretary to the governing board. The Deputy Director – Administrative Services serves as Authority Treasurer and Auditor. The Authority appointed in-house counsel in 2004.

Funding: At inception, the Members contributed all current and capital assets under their control related to library services, excluding land and buildings. Land and buildings related to library branches are owned by the Members or school districts that purchased the assets. The Members and non-member school districts have agreed to provide and maintain existing and future library building facilities for the Authority as defined in the joint exercise of powers agreements for Members or separate agreements for the non-member school districts.

The Authority's operating costs are primarily funded through annual appropriations from the Members. Library services at branches within the City of Sacramento are also augmented by a voter-approved ten year special assessment tax adopted during 2006. These special assessment tax revenues are restricted for use in extending operating hours, services, technology purchases and for increasing book and materials purchases at City of Sacramento branches, excluding the Central Library. Unspent assessment Authority revenues are reported on the General Fund balance sheet as reserved fund balance called assessment district carryover.

Operating costs of each branch are funded by the appropriate Member according to the location of the facility through Member contributions. Certain authorized maintenance and other facilities costs paid directly by the Members or non-member school districts on behalf of the Authority are not reflected as Member contributions (i.e. County and City contributions) and are not a part of these financial statements as those costs are shown directly in the appropriate fund of the respective Member or non-member school district.

In the event of termination of the joint exercise of powers agreement, the net assets of the Authority would be returned to the Members in proportion to the contributions of each Member during the term of their participation in the Authority.

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (the GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Authority are described below.

Government-wide and Fund Financial Statements: The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Authority. The Authority has no component units, but receives contributions collected by the Sacramento Public Library Foundation (the Foundation) and Friends of the Sacramento Public Library (Friends of the Library). The Foundation and Friends of the Library are 501(c)(3) non-profit corporations with separate boards of directors that are not controlled by the Authority. The Authority considers the contributions received from these organizations to be immaterial to the financial statements and the Authority and has not evaluated them for treatment as component units.

The accounts of the Authority are organized on the basis of funds. A fund is a separate accounting entity with a self-balancing set of accounts. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Major individual funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation: The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant funds earned but not received are recorded as a receivable, and grant funds received before the revenue recognition criteria have been met are reported as deferred revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, long-term liabilities, as well as expenditures related to claims and judgments, are recorded only when payment is due. General capital assets are reported as capital outlay expenditures in governmental funds.

Interest, contributions and grants associated with the current fiscal period are considered to be susceptible to accrual, and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

The Authority reports the following major governmental funds:

- General Fund - this fund is established to account for resources devoted to administration of the activities of the Authority and excludes those resources required to be accounted for in another fund.

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Permanent Fund - this fund accounts for resources that are legally restricted, to the extent that only earnings and not principal, may be used for purposes that support the Authority's programs. See the Permanent Fund footnote for a description of this fund.

Amounts reported as program revenues include charges to customers or for goods, services or privileges provided and operating grants and contributions including special assessments. Internally dedicated resources are reported as general revenues.

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

Cash and Investments: The Authority participates in the City of Sacramento's Investment Pool, which is not rated by national credit rating agencies. The City Treasurer pools cash with other City funds and invests to maximize income consistent with safe and prudent investment practices within the guidelines of the City's investment pool. The City reviews its investment policy on a quarterly basis. The estimated fair value of investments in the pool is based on quoted market prices. The fair value of the Authority's position in the pool is the same as the value of the pool shares. The value of the pool shares may be withdrawn at any time based on an amortized cost basis, which is different than the fair value of the Authority's position in the pool. Information regarding the investments within the pool, including related risks, can be found in the City of Sacramento's Comprehensive Annual Financial Report (CAFR). The Authority also maintains a separate deposit with a financial institution.

Receivables: Receivables are comprised mainly of county and city contributions. Other receivables consist of amounts due from other member organizations of the Authority. Management reviews the necessity of an allowance based on historical collection experience and review of current status. All receivables, other than fines and fees are considered to be fully collectible. As of June 30, 2011, \$1,660,304 in fines and fees are owed to the Authority. As management cannot reasonably estimate the collectability of the amount and in order to be conservative, the Authority has determined the entire amount to be uncollectible.

Capital Assets: Capital assets, which include equipment, building improvements, software, and furniture and fixtures, are reported in the government-wide statement of net assets. Facilities are the property of the Members and not the Authority and are not reported on the Authority's statement of net assets. The Authority defines capital assets as assets with an initial, individual or group cost of more than \$5,000 and an estimated useful life in excess of one year. Library books and materials are not capitalized.

Capital asset acquisitions are recorded at cost. Contributions are recorded at the estimated fair value on the date of contribution. All capital assets are depreciated using the straight-line method over their estimated useful lives, which range from 3 to 20 years.

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue: Deferred revenue includes \$501,441 of contributions from the County and City of Sacramento that were earned as of year-end, but were not received within the Authority's availability period. Deferred revenue also includes \$78,550 of deposits for Galleria events that will occur in future periods. The deposits for these events will be recognized as revenue when the events occur.

Other Postemployment Benefits Obligation: The Authority accrues a liability for the other postemployment healthcare benefits (OPEB) for retirees with 10 or more years of service. The liability represents the amount of the annual required contribution (ARC) that was not funded since the Authority implemented GASB Statement No. 45 during the year ended June 30, 2009. See Note 11 for additional information on the OPEB plan.

Compensated Absences: Employees of the Authority may accumulate paid time off (PTO) leave. Upon termination or retirement, employees receive a cash payment for unused PTO leave. All PTO is accrued when incurred in the government-wide statements. A liability for these amounts is reported in governmental funds only if they become due and payable as a result of employee resignations and retirements.

Permanent Fund: The Authority maintains separate trust funds for contributions received from the Fratt and Moore families. The originally contributed principal of both trusts totaling \$131,181 is nonexpendable. Income from the Francis W. Fratt Trust may be used to purchase books of lasting value. Income from the Moore Memorial Trust may be used to purchase mystery related books. The Moore Memorial Trust requires the principal to be invested with Wells Fargo Bank.

Fund Balance: In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned and unassigned balances.

Nonspendable Funds - Fund balance should be reported as nonspendable when the amounts cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items not expected to be converted to cash, for example, inventories and prepaid items. The Authority's nonspendable fund balance consists of pre-paid expenditures and permanently restricted principal balances of the Moore and Fratt Trusts.

Restricted Funds – Fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The Authority's restricted fund balance consists of the Assessment District Carryover restricted by the enabling legislation approving the special assessment, unspent donations restricted for donor approved projects, amounts restricted for grant programs and earnings on the Moore and Fratt Trusts. Fund balance restricted for donations includes an unspent \$140,600 donation from the Richardson estate for use at the Rancho Cordova library branch and an unspent \$100,000 donation from the operating fund of City of Sacramento Councilman Robbie Waters for use at the Pocket library branch. Restricted fund balance also includes amounts set aside for economic uncertainty of \$437,290.

Committed Funds – Fund balance should be reported as committed when the amounts can only be used for specific purposes pursuant to constraints imposed by formal action of the government's

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

highest level of decision-making authority. These amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed (for example legislation, resolution or ordinance) to previously commit these amounts. The Authority's committed funds consist of supplemental funds that are committed by resolution of the Board according to the JPA agreement for enhanced services at library branches and open purchase orders originally exceeding \$50,000 that were required to be approved by resolution of the Board that are committed to be expended on the related open contracts.

Assigned Funds - Fund balance should be reported as assigned when the amounts are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Authority's assigned funds consist of open purchase orders in original amounts of less than \$50,000 that were approved under management's spending authority that are assigned to be expended on the related open contracts, amounts that have been assigned by management for information technology and equipment replacement and Sylvan Oaks cell tower rents that are assigned for operations, maintenance and capital projects at the Sylvan Oaks library branch.

Unassigned Funds - Unassigned fund balance is the residual classification for the General Fund. This classification represents unassigned fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund. Unassigned fund balance includes amounts set aside for economic uncertainty at June 30, 2011 in the amount of \$3,070,970 where the criteria for the use of the funds were not sufficiently detailed to be reported as committed or assigned fund balance.

Net Assets: In the statement of net assets, net assets are classified in the following categories:

Invested in capital assets – This amount consists of capital assets net of accumulated depreciation.

Restricted net assets – This amount is restricted by external grantors, contributors, or laws or regulations of other governments.

Unrestricted net assets – This amount is all net assets that do not meet the definition of “invested in capital assets” or “restricted net assets.”

County Fund 11: Included in the County property tax collections, except for the incorporated Cities of Sacramento and Folsom, is a dedicated percentage set aside for County Library purposes. The collections are retained in County general ledger Fund 11. The Authority has limited participation during preparation of the annual budget process. The budget for Fund 11 was authorized by the County Board of Supervisors and is included in the total County budget. Included in the total budget is the amount that is later appropriated directly to the Authority and recorded as a member contribution in the Authority's Statement of Activities. The County also expends funds on behalf of the Authority directly out of County Fund 11 for maintenance, repair, service contracts, debt financing of one of the County branches and payments to the Sacramento County Employees' Retirement System. The remaining fund balance in County Fund 11 is not reflected on the Authority's financial statements.

Beginning in the year ended June 30, 2011, the Authority will receive property tax revenue and administer expenses previously funded through County Fund 11 under Memorandums of Understanding (MOU) with various County offices and units rather than having those offices and units bill County Fund 11 directly for the expenses. The expenses include alarms, fire sprinklers, security cameras and vehicle leases as well as annual building maintenance and repairs.

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations: The Authority receives donations from the Sacramento Public Library Foundation (the Foundation) and Friends of the Sacramento Public Library (Friends). The Boards of Directors of the Authority and the Foundation and Friends approve activities to be funded with donations throughout the fiscal year and the Foundation provides a commitment letter to the Authority to document its commitment to fund the activities. The Authority considers the donation revenue earned at the date the cash is received.

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

## NOTE 3 – RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET WITH THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

Total fund balances of the Authority's governmental funds differ from net assets of governmental activities primarily because of the long-term focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet. The differences are described below:

Fund balances of governmental funds		\$ 27,099,892
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. The deferred revenue is recognized for government-wide purposes.		
Capital assets	\$ 10,043,786	
Less: accumulated depreciation	<u>(8,342,456)</u>	1,701,330
Long-term receivables are not available to pay current period expenditures and are deferred in governmental funds.		
		501,441
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Accrued other post employment benefit obligation		(849,000)
Accrued compensated absences		<u>(1,914,259)</u>
Net assets in the government-wide statement of net assets		<u><u>\$ 26,539,404</u></u>

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

## NOTE 4 – RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The net change in fund balances of governmental funds differs from the change in net assets of governmental activities primarily because of the long-term focus of the statement of net assets versus the current financial resources focus of the governmental funds balance sheet. The differences are described below:

Net Change in Fund Balances of Governmental Funds	\$ 10,853,292
Governmental funds report capital outlays as expenditures. In the Statement of Activities, however, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. The change in capital assets consists of:	
Capital outlay expense	129,718
Depreciation expense	(723,591)
Some revenues are deferred in governmental funds because they do not represent current financial resources that are recognized in the Statement of Activities.	(11,795,984)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Decrease in compensated absences	82,819
Increase in other postemployment benefit obligation	<u>(271,000)</u>
Change in Net Assets of the Statement of Activities	<u>\$ (1,724,746)</u>

## NOTE 5 – CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30, 2011:

Cash on hand	\$ 9,480
Bank deposits	(50,851)
Investment in City of Sacramento Investment Pool	27,816,632
Moore Trust Fund investments	<u>229,135</u>
Total	<u>\$ 28,004,396</u>

The Authority's investment policy for the General Fund is established by the Board of Directors and the investments in the permanent fund were established by the donors as described below. The Authority's investment policy does not contain any specific provisions intended to limit the Authority's exposure to interest rate risk, credit risk, and concentration of credit risk beyond what is specified in the California Government Code. The following disclosures related to the Authority's cash and investments are required by GASB Statement No. 40.

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

## NOTE 5 – CASH AND INVESTMENTS (Continued)

Investment Policy: Investments are reported at fair value. California statutes authorize special districts to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 - Financial Affairs. The Authority's permissible General Fund investments according to the investment policy adopted with a resolution of the Board of Directors on May 27, 2010 include the City of Sacramento's investment pool and the State of California Local Agency Investment Fund (LAIF).

The principal portion of the Moore Memorial Trust totaling \$229,135 at June 30, 2011 is not governed by the Authority's investment policy and is instead invested in a diversified account with an investment advisor specified by the donor. The investments held by the account include money market mutual funds that are considered cash equivalents as well as bond and equity mutual funds.

Interest Rate Risk: Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority maintains its General Fund's investments in the City of Sacramento's investment pool, which totaled \$27,816,632 as of June 30, 2011. The pool assets consist of treasury notes, agency notes, commercial paper, municipals securities, Local Agency Investment Fund (LAIF), and corporate bonds. The weighted average maturity of the pool's investments was approximately 1.3 years. For more information about the City of Sacramento investment pool, see the City of Sacramento's Comprehensive Annual Financial Report. The Permanent Fund's investments include a variety of money market mutual funds, bond funds and equity mutual funds. The investments in mutual funds have a weighted average maturity of less than one year.

Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City of Sacramento's investment pool is unrated. Approximately 94% of the Permanent Fund's investment balance is invested in funds with ratings ranging from AAA to BBB (investment grade), and approximately 6% is invested in funds with ratings below BBB.

Concentration of Credit Risk: The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated in the California Government Code. The Authority does not have any investments in any one issuer that represents 5% or more of the Authority's investments, other than the investment in the City of Sacramento's investment pool.

Custodial Credit Risk: The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools, like the City of Sacramento's investment pool.

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

## NOTE 5 – CASH AND INVESTMENTS (Continued)

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the Authority's investment policy do not contain legal policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure the Authority deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.

At June 30, 2011, the carrying amount and balance per bank of the Authority's bank deposits were (\$50,851) and \$458,087, respectively. Of the balance per bank at June 30, 2011, \$250,000 was covered by federal depository insurance and \$208,087 was collateralized by the pledging financial institution's investment securities, which were not in the name of the Authority.

## NOTE 6 - BUDGETARY INFORMATION - GENERAL FUND

The joint-powers agreement establishing the Authority provides for budgetary control over general fund fiscal operations. Each year, the Authority submits to the governing board a proposed budget containing detailed estimates (provided by the staff of the Members) of the amount of funding available for the operation of the Authority. The budget is controlled at the fund level. The Members notify the Authority by September 1 of their appropriated contribution to the Authority for that fiscal year. The governing board of the Authority adopts the Authority's original budget by September 30 of each fiscal year. The budget, prepared on the modified accrual basis in accordance with accounting principles generally accepted in the United States of America, is presented as required supplementary information in the accompanying financial statements.

Encumbrance accounting is used during the year for budgetary control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities, but rather outstanding future commitments at year-end. The Authority's appropriations lapse at year-end. At June 30, 2011 the Authority had outstanding future commitments under encumbrances reported as fund balance committed and assigned for open contracts of \$421,091.

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

## NOTE 7 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 is as follows:

	Beginning balance	Additions	Deletions	Ending Balance
Capital assets:				
Equipment	\$ 7,946,657	\$ 72,479		\$ 8,019,136
Building improvements	467,079	15,000		482,079
Software	505,989	30,800		536,789
Furniture and fixtures	994,343	11,439		1,005,782
Total capital assets	<u>9,914,068</u>	<u>129,718</u>		<u>10,043,786</u>
Accumulated depreciation:				
Equipment	(6,313,292)	(553,864)		(6,867,156)
Building improvements	(111,957)	(23,573)		(135,530)
Software	(321,079)	(95,993)		(417,072)
Furniture and fixtures	(872,537)	(50,161)		(922,698)
Total accumulated depreciation	<u>(7,618,865)</u>	<u>(723,591)</u>		<u>(8,342,456)</u>
Total capital assets, net	<u>\$ 2,295,203</u>	<u>\$ (593,873)</u>	<u>\$ -</u>	<u>\$ 1,701,330</u>

## NOTE 8 - OPERATING LEASES

The Authority is obligated under various operating leases for the use of office buildings. Lease expenditures for the year ended June 30, 2011 were \$313,749, including common area maintenance charges. Two of the leases have options to renew for one three year period, one at market rates with a 5% maximum increase and one at specified monthly payments. Future minimum lease payments required by the lease agreements that have an initial or remaining non-cancelable lease term in excess of one year as of June 30, 2011 are as follows:

Year Ending June 30,	
2012	\$ 150,671
2013	50,750
2014	<u>47,585</u>
Total	<u>\$ 249,006</u>

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

## NOTE 9 - LONG-TERM LIABILITIES

Long-term liabilities for the year ended June 30, 2011 are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Liability for other postemployment benefits	\$ 578,000	\$ 395,000	\$ (124,000)	\$ 849,000	
Compensated absences	1,997,078	450,389	(533,208)	1,914,259	\$ 346,297
Total long-term liabilities	<u>\$ 2,575,078</u>	<u>\$ 845,389</u>	<u>\$ (657,208)</u>	<u>\$ 2,763,259</u>	<u>\$ 346,297</u>

## NOTE 10 - EMPLOYEE RETIREMENT PLAN

Plan Description: The Authority provides retirement benefits through the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and their beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and Authority resolution. The Authority uses a 2.0% at 55 miscellaneous retirement formula. Copies of PERS annual financial report may be obtained from the PERS Executive Office, 400 Q Street, Sacramento, CA 95814.

Funding Policy: Participants are required to contribute 7% of their annual covered salary. The Authority agreed to contribute a percentage of certain employee's required contributions on their behalf, as specified in the related labor agreements. For the year ended June 30, 2011, employees contributed \$567,585. The Authority is required to contribute at an actuarially determined rate, which was 13.617% of annual covered payroll for the year ended June 30, 2011. The contribution requirements of plan members and the Authority are established and may be amended by PERS.

Annual Pension Cost: For the year ended June 30, 2011, the Authority's annual pension cost of \$2,364,447 for PERS was equal to the Authority's required and actual contributions. Three year trend information for PERS is as follows:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2009	\$ 2,487,415	100%	\$ -
6/30/2010	2,531,169	100%	
6/30/2011	2,364,447	100%	

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

## NOTE 10 - EMPLOYEE RETIREMENT PLAN (Continued)

The required contribution was determined as part of the June 30, 2008 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included a 7.75% investment rate of return (net of administrative expenses) and projected annual salary increases of 3.25% to 14.45%, cost of living increases of 3.25%, and an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period. Unfunded losses are amortized over a rolling 30-year period, which results in an amortization of approximately 6% of unamortized gains and losses each year.

Funded Status and Funding Progress: The funded status of the Plan as of June 30, 2009, the Plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 39,372,881
Actuarial value of Plan assets	33,820,834
	<hr/>
Unfunded actuarial accrued liability (UAAL)	5,552,047
Funded ratio (actuarial value of Plan assets/AAL)	85.90%
Covered payroll (active Plan participants)	\$ 14,664,099
UAAL as a percentage of covered payroll	37.86%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN

Plan Description: The Authority's has another postemployment benefits (OPEB) healthcare plan (the Plan) that provides medical benefits to retired employees and their eligible dependents with a maximum monthly stipend of \$225 for retirees with 20 or more years of service and a partial stipend of 50% to 75% of the maximum stipend for retirees with 10 to 19 years of service. Eligibility rules include retirement from the Authority at age 50 or later, or with 30 years of employment. The Authority's Board of Directors has the authority to establish and amend benefit provisions. The Plan does not issue separate financial statements.

Funding Policy: The contribution requirements of plan members and the Authority are established and may be amended by the Board of Directors. The required contribution is based on projected pay-as-you-go financing requirements. For the year ended June 30, 2011, the Authority contributed approximately \$124,000 to the Plan. Plan members did not make any contributions to the plan.

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

## NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

Annual OPEB Cost and Net OPEB Cost (Expense): The Authority's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Authority's Net OPEB obligation:

Annual required contribution end of year	\$ 392,000
Interest on net OPEB obligation	26,000
Adjustment to annual required contribution	<u>(23,000)</u>
Annual OPEB cost (expense)	395,000
Contributions made including credited interest	<u>(124,000)</u>
Increase (decrease) in net OPEB obligation	271,000
Net OPEB obligation, beginning of period	<u>578,000</u>
Net OPEB obligation (asset), end of period	<u><u>\$ 849,000</u></u>

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for the two most recent fiscal years are as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2009	\$ 385,000	24.90%	\$ 463,000
6/30/2010	208,000	44.70%	578,000
6/30/2011	395,000	31.40%	849,000

Funded Status and Funding Progress: The funded status of the Plan as of January 1, 2010, the Plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 4,171,000
Actuarial value of Plan assets	
Unfunded actuarial accrued liability (UAAL)	<u>\$ 4,171,000</u>
Funded ratio (actuarial value of Plan assets/AAL)	0.00%
Covered payroll (active Plan participants)	\$ 18,365,000
UAAL as a percentage of covered payroll	22.71%

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2011

## NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2010 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial valuation used the rates of mortality, disability and other withdrawals used by PERS in the valuation of the Authority's pension plan. The actuarial assumptions included a 4.5 percent investment rate of return, a 3.5 percent rate of inflation and a 3.75 percent increase in payroll. The UAAL is being amortized over a 20 year period.

## NOTE 12 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases insurance coverage for commercial property, commercial general liability, automobile liability, boiler and machinery, public officials' errors and omissions, and workers' compensation. There have been no significant reductions in insurance coverage from the prior year by major categories of risk and there have been no settlements for each of the past three years.

## NOTE 13– LAWSUITS AND CLAIMS

The Authority is subject to lawsuits and claims, which arise out of the normal course of its activities. In the opinion of management, based upon the opinions of legal counsel, the disposition of any and all such actions of which it is aware will not have a material effect on the financial position of the Authority.

## NOTE 14 – ECONOMIC DEPENDENCY

The Authority receives the majority of its funding from Sacramento County and the City of Sacramento. Funding is largely dependent on special assessments related to property taxes. A reduction in funding from the County and City of Sacramento could significantly impact operations of the Authority.

REQUIRED SUPPLEMENTARY INFORMATION

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## REQUIRED SUPPLEMENTARY INFORMATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Program revenues:				
Charges for services:				
Assessment and taxes	\$ 4,479,660	\$ 3,761,409	\$ 4,470,626	\$ 709,217
Fines, fees and penalties	800,000	700,000	726,266	26,266
Facility rental income	213,200	213,200	237,378	24,178
Galleria catering and other	44,000	44,000	68,045	24,045
Operating grants and contributions:				
County contributions	18,655,010	18,383,520	26,706,522	8,323,002
City contributions	7,921,710	7,824,192	7,925,240	101,048
Other agency contributions	100,000	100,000	121,640	21,640
Reimbursements			3,008,024	3,008,024
State appropriations	491,850	679,436	694,732	15,296
Federal and State grants	30,000	349,029	336,550	(12,479)
Total program revenues	<u>32,735,430</u>	<u>32,054,786</u>	<u>44,295,023</u>	<u>12,240,237</u>
General revenues:				
Gifts and donations	45,000	596,140	909,552	313,412
Investment income (loss)	300,000	300,000	394,071	94,071
Other	140,800	116,800	321,707	204,907
Total general revenues	<u>485,800</u>	<u>1,012,940</u>	<u>1,625,330</u>	<u>612,390</u>
<b>TOTAL REVENUES</b>	<u>33,221,230</u>	<u>33,067,726</u>	<u>45,920,353</u>	<u>12,852,627</u>
<b>EXPENDITURES</b>				
Education:				
Current:				
Salaries and benefits	24,156,300	25,142,857	23,087,526	2,055,331
Services and supplies	6,707,280	9,014,273	8,175,617	838,656
Books and pamphlets	3,123,486	4,481,932	3,501,771	980,161
Reimbursed improvements	195,697	195,697	195,697	
Capital outlay	323,886	1,859,205	129,718	1,729,487
<b>TOTAL EXPENDITURES</b>	<u>34,506,649</u>	<u>40,693,964</u>	<u>35,090,329</u>	<u>5,603,635</u>
<b>CHANGE IN FUND BALANCE</b>	(1,285,419)	(7,626,238)	10,830,024	18,456,262
Fund balance, beginning of year	<u>15,952,300</u>	<u>15,952,300</u>	<u>15,952,300</u>	
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 14,666,881</u>	<u>\$ 8,326,062</u>	<u>\$ 26,782,324</u>	<u>\$ 18,456,262</u>

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF FUNDING PROGRESS - EMPLOYEE RETIREMENT PLAN WITH PERS

June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2007	\$ 25,281,000	\$ 28,911,000	\$ 3,630,000	87.44%	\$ 12,952,000	28.03%
6/30/2008	29,557,000	33,349,000	3,792,000	88.63%	14,140,000	26.82%
6/30/2009	33,821,000	39,373,000	5,552,000	85.90%	14,664,000	37.86%

## SACRAMENTO PUBLIC LIBRARY AUTHORITY

## REQUIRED SUPPLEMENTARY INFORMATION

## SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN

June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2009	\$ -	\$ 3,953,000	\$ 3,953,000	0.00%	\$ 18,937,000	20.87%
6/30/2010		3,953,000	3,953,000	0.00%	18,709,000	21.13%
6/30/2011		4,171,000	4,171,000	0.00%	18,365,000	22.71%