

SACRAMENTO PUBLIC LIBRARY AUTHORITY

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2015

SACRAMENTO PUBLIC LIBRARY AUTHORITY

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2015

TABLE OF CONTENTS

FINANCIAL SECTION

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

BASIC FINANCIAL STATEMENTS

Statement of Net Position and Governmental Funds Balance Sheet 10
Statement of Activities and Governmental Funds Revenues,
Expenditures and Changes in Fund Balances 12
Notes to the Basic Financial Statements 13

REQUIRED SUPPLEMENTARY INFORMATION

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund 33
Schedule of Changes in the Net Pension Liability and Related Ratios..... 34
Schedule of Contributions – Pension Plan..... 35
Schedule of Funding Progress – Other Postemployment Benefits
Plan 36

COMPLIANCE REPORT

Independent Auditor's 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..... 37



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

Report on the Financial Statements

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, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Directors
Sacramento Public Library Authority

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Authority as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance 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.

Emphasis-of-Matter

As discussed in Note 16 to the basic financial statements, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the year ended June 30, 2015. Due to the implementation of these Statements, the Authority recognized a pension liability for its pension plan in the government-wide financial statements as of July 1, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 9 and 33 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015 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 and contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Richardson & Company, LLP

November 5, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 fiscal year ended June 30, 2015. 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 total net position of the Authority as of June 30, 2015 was \$30,080,647 compared to that of the prior year balance of \$36,688,528, a decrease of \$6,607,881. The decrease is due primarily to the implementation of Governmental Accounting Standards Board (GASB) Statements No. 68 and No. 71 effective June 30, 2015. In compliance with these GASB statements, the Library recorded \$9,847,972 in unfunded pension liability along with deferred outflows/inflows of resources related to pensions in the Statement of Net Position as of June 30, 2015. Offsetting the Pension related liabilities are increases in cash and investments in the amount of \$4,404,377 as described below, as well as recording approximately 15% or \$572,086 in fines and fees estimated to be collectible as of June 30, 2015.

Of the current year net position balance, \$7,623,270 is invested in capital assets; \$5,646,276 is restricted during the remaining terms of the Parcel Taxes (Measure X and Measure B) to provide income for future operations; \$2,942 is restricted for the purchase of furniture, fixture and equipment for the new Rio Linda Library; \$657,947 is restricted for donor approved projects; \$500,078 is restricted for book purchases per the Erin C. and Heidi K. Hurst Trust Agreement; \$365,636 is restricted as described in Note 2, regarding the Permanent Fund; \$2,862 is restricted for grant programs and the remaining \$15,281,636 is unrestricted.

The Authority's cash and investments balance at June 30, 2015 was \$38,128,524, an increase of \$4,404,377 from the prior year balance of \$33,724,147. The increase is due primarily from the \$500,000 receipt of the Hurst Bequest; \$1,526,000 increase in the County/Cities Fund mainly due to higher property tax revenues; City of Sacramento Parcel Tax-Measure X, increased by \$1,141,000 as a result of shifting \$1,176,000 in actual costs to City of Sacramento Parcel Tax-Measure B, which also added \$267,000 to the cash and investments balance; the Technology and Equipment Replacement funds added \$655,000 and \$263,000, respectively to the cash and investments as a result of higher E-rate refunds during fiscal year 2015.

For the year ended June 30, 2015 program revenues in the Statement of Activities were \$36,239,794, which represents an increase of \$4,071,702 from the prior year balance of \$32,168,092. The increase is due primarily from higher property tax revenues, new Measure B revenues and fines and fees recognized in fiscal year 2015. Additionally, general revenues were \$2,720,636 for the year ended 2015, an increase of \$638,075 from the prior year amount of \$2,082,561. The increase is mainly due to higher gifts and donations revenues as well as increased E-rate refund revenues in fiscal year 2015. Education expenditures for fiscal year ended 2015 were \$33,758,705, an increase of \$1,140,056 from the 2014 fiscal year amount of \$32,618,649. The increase is due primarily to increased purchases of books and media subscriptions, services and supplies, and higher salaries and benefits.

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 pages 10 and 11 of this report continues to be presented in compliance with GASB No. 54 requirements. Overall, the General Fund and Permanent Fund ended the year with fund balances of \$36,115,233 and \$365,636 respectively, for a combined fund balance of \$36,480,869.

The Authority's Statement of Net Position and Governmental Funds Balance Sheet, as shown on pages 10 and 11, shows a deferred inflows balance of \$842,586, which represents revenues not received in the Authority's 60 day availability period and total net position balance of \$30,080,647 at June 30, 2015, a decrease of \$6,607,881 from the prior year net position balance of \$36,688,528.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for governments that provide their employees with pension benefits. Subsequently, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. In compliance with these GASB statements, the Library recorded an unfunded pension liability in the amount of \$9,847,972, deferred outflows of resources in the amount of \$2,058,541 and deferred inflows of resources in the amount of \$3,688,088 in its accrual basis financial statements as of June 30, 2015. Note 10, Pension Plan describes the Library's defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS).

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 presented in a combined format on pages 10 through 12. Items in the adjustment column are discussed in Notes 3 and 4.

The Authority continues to report the government-wide financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, No. 37, and No. 38 for the year ended June 30, 2015. 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 Position* presents information on all of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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 13 through 32 of this report.

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 position may serve over time as a useful indicator of the Authority's financial position. At June 30, 2015, the Authority's assets exceeded its liabilities by \$30,080,647 representing a decrease of \$6,607,881 from the prior year mainly due to the recording of unfunded pension liability in compliance with GASB Statements No. 68 and No. 71 as described above.

CONDENSED STATEMENTS OF NET POSITION
(Amounts shown in thousands)

	June 30,	
	2015	2014*
ASSETS		
Current and other assets	\$ 39,727	\$ 34,457
Capital assets	7,623	7,336
Total assets	47,350	41,793
DEFERRED OUTFLOWS OF RESOURCES		
Pensions	2,059	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	49,409	41,793
LIABILITIES		
Long-term liabilities	1,718	1,521
Unfunded pension liability	9,848	-
Other liabilities	4,074	3,583
Total liabilities	15,640	5,104
DEFERRED INFLOWS OF RESOURCES		
Pensions	3,688	-
TOTAL DEFERRED INFLOWS OF RESOURCES	3,688	-
NET POSITION		
Net investment in capital assets	7,623	7,336
Restricted	7,176	5,300
Unrestricted	15,282	24,053
TOTAL NET POSITION	\$ 30,081	\$ 36,689

* Column has not been restated for GASB Statements No. 68 and 71 as CalPERS has not provided the information necessary to report the pension liability and related deferred inflows of resources and deferred outflows of resources as of July 1, 2013.

The final budget of the General Fund anticipated that there would be expenditures of \$37,687,864 while actual expenditures were \$34,266,694 resulting in positive variance of \$3,421,170. Excess of revenues over expenditures in the General Fund increased the previous year's fund balance by \$4,092,893. In addition, investment valuations of the Moore Memorial and Fratt Memorial Trusts, accounted for in the Permanent Fund ended the year with a net unrealized loss of \$(3,342). These two changes plus the net adjustments outlined in Note 4 of the Notes to the Basic Financial Statements of \$1,112,174 account for the increase in net position of \$5,201,725. Offsetting this increase, a restatement in the amount of \$(11,809,606) to record the July 1, 2014 pension liability reduced the Library's net assets which resulted in an overall net position of \$30,080,647 as of June 30, 2015.

Overall, actual revenues ended the year at \$38,960,430, an increase of \$4,709,777 from the prior year total of \$34,250,653. Expenditures were \$33,758,705, an increase of \$1,140,056 from the prior year total of \$32,618,649. Salaries and benefits increased by \$507,527 from last year, and were \$1,242,443 less than budgeted. Services and supplies increased by \$381,407 from last year, and were \$1,990,539 less than budgeted. Cost savings are recognized when actual expenditures are less than budgeted.

CONDENSED STATEMENTS OF ACTIVITIES
(Amounts shown in thousands)

	June 30,	
	2015	2014*
REVENUES		
Program revenues:		
Charges for services	\$ 8,525	\$ 5,914
Operating grants and contributions	27,715	26,254
General revenues:		
Gifts and donations	1,149	627
Investment income	263	316
E-rate	1,049	415
Other	259	725
Total revenues	38,960	34,251
 EXPENSES		
Education	33,758	32,619
(Decrease) increase in net position	5,202	1,632
 Net position, beginning of year	36,689	35,057
 Restatement	(11,810)	-
 Net position, beginning of year - restated	24,879	
 NET POSITION, END OF YEAR	\$ 30,081	\$ 36,689

* Column has not been restated for GASB Statements No. 68 and 71 as CalPERS has not provided the information necessary to report the pension liability and related deferred inflows of resources and deferred outflows of resources as of July 1, 2013.

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, 2015, the Authority had ending fund balances of \$36,480,869 compared to the June 30, 2014 ending fund balances of \$32,391,318. The \$4,089,551 increase in fund balance is mainly due to higher property tax revenues, Measure B revenues, receipt of the Hurst bequest, E-rate credits for telecommunication services, coupled with cost savings from actual expenditures coming below budget in

fiscal year 2015. Some of these cost savings are from branch assessment building improvements and deferred maintenance projects that will be re-budgeted in fiscal year 2016. 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 reconciliation 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 \$239,542. Actual total revenues were higher than estimated by \$911,265 primarily from \$349,030 higher E-rate refunds than anticipated and \$235,524 higher County contributions as a result of increased property taxes.

Actual expenditures ended the year \$3,421,170 under the final adopted budget. Of this amount, salaries and benefits were \$1,242,443 under budget mainly due to fully funded positions that were not filled until 3rd and 4th quarter of fiscal year 2015. Services and supplies were \$1,990,539 under budget primarily from branch assessment building improvements and deferred maintenance projects that have not been started or completed as well as system-wide donations that have not yet been spent. Branch assessment building improvements and deferred maintenance budgets will be carried over to the next fiscal year. Additional budget information can be found in the required supplemental section of this report.

Capital Assets and Debt Administration

Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation is \$7,623,270. Capital assets purchased during the current year includes \$2,908,847 for books and media collection, \$133,580 for construction in progress (building improvements), \$121,127 for completed building improvements and \$30,765 for other capital outlay such as equipment and software. 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 media collection. Effective fiscal year 2012, the Authority has capitalized the purchase of all books and media collection in compliance with GASB Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. As noted above, the Authority capitalized another \$2,908,847 in fiscal year 2015 for books and media collections. The Authority also disposed books and media collections in the amount of \$2,439,863 that were capitalized for fiscal year 2009. With the new additions and disposals, the Authority ended the fiscal year 2015 with a balance of \$17,049,643 for books and media collections.

Long-term Liabilities

As of June 30, 2015 the Authority's long-term liabilities consist of compensated absences, unfunded pension liabilities and other postemployment benefits (OPEB) obligation. The total current year balance is \$13,236,531, an increase of \$9,959,388 from the prior year balance of \$3,277,143 prior to restatement. The major factor for this significant increase is the recognition of unfunded pension liability in the amount of \$9,847,972 in the Library's accrual basis financial statements effective June 30, 2015 as required by GASB 68. Of the current year amount \$1,670,559 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 State of California's budget situation continues to affect the Authority's funding during the next fiscal year. For fiscal year 2016, projected revenue from the State continues to be non-existent. The City Special Parcel Tax, Measure X (approved by voters in 2004), provides approximately 35% of City contributions and is set to expire in fiscal year 2016-17. In June 2014, voters in the City of Sacramento approved a City of Sacramento Library Parcel Tax, Measure B, authorizing the City to collect an

additional parcel tax of \$12 per year for single-family residential parcel (rates vary for other parcels types) for 12 years. Measure B is to provide funding for “core library services”. Despite the approval of Measure B, the Authority continues to face fiscal challenges from the City of Sacramento. The Library continues to operate the 12 City branches within the 2003 City General Fund funding levels and the Measure X parcel tax will sunset in fiscal year 2016-17. A ballot to extend Measure X for ten additional years will go before voters next year. Although the economy has shown signs of improvement, 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. As a result, the Authority has set aside \$2,834,460 of unassigned fund balance and another \$700,556 from the restricted fund balance (Measures X and B) in the General Fund for economic uncertainty as of June 30, 2015.

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, please contact:

Department of Finance
4th Floor
828 I Street
Sacramento, CA 95814

SACRAMENTO PUBLIC LIBRARY AUTHORITY

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2015

	General Fund	Permanent Fund	Total Governmental Funds	Adjustments (Note 3)	Statement of Net Position
ASSETS					
Cash and investments	\$ 37,762,888	\$ 365,636	\$ 38,128,524		\$ 38,128,524
Receivables, net:					
Due from County of Sacramento	687,297		687,297		687,297
Fines and fees	572,086		572,086		572,086
Due from City of Sacramento	75,000		75,000		75,000
Other	143,420		143,420		143,420
Prepaid expenditures	120,707		120,707		120,707
Capital assets not depreciated				\$ 133,580	133,580
Capital assets depreciated, net				7,489,690	7,489,690
TOTAL ASSETS	39,361,398	365,636	39,727,034	7,623,270	47,350,304
DEFERRED OUTFLOWS OF RESOURCES					
Pensions				2,058,541	2,058,541
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 39,361,398	\$ 365,636	\$ 39,727,034	9,681,811	49,408,845
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	\$ 655,243		\$ 655,243		655,243
Due to other governments	501,343		501,343		501,343
Salaries and benefits payable	1,081,044		1,081,044		1,081,044
Unearned revenue	122,474		122,474		122,474
Deposits	43,475		43,475		43,475
Compensated absences:					
Due within one year				1,670,559	1,670,559
Unfunded pension liability				9,847,972	9,847,972
Other postemployment benefits obligation				1,718,000	1,718,000
TOTAL LIABILITIES	2,403,579		2,403,579	13,236,531	15,640,110
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	842,586		842,586	(842,586)	
Pensions				3,688,088	3,688,088
TOTAL DEFERRED INFLOWS OF RESOURCES	842,586		842,586	2,845,502	3,688,088
FUND BALANCES/NET POSITION					
Fund balances:					
Nonspendable:					
Prepaid expenditures	120,707		120,707	(120,707)	
Trust obligations - nonspendable		\$ 131,181	131,181	(131,181)	
Restricted for:					
Parcel tax carryover	5,566,276		5,566,276	(5,566,276)	
Donations	657,947		657,947	(657,947)	
Book purchases	500,078		500,078	(500,078)	
County funded building improvements	2,942		2,942	(2,942)	
Grant programs	2,862		2,862	(2,862)	
Trust obligations - spendable		234,455	234,455	(234,455)	
Committed to:					
Economic uncertainty	2,834,460		2,834,460	(2,834,460)	
Supplemental services	385,276		385,276	(385,276)	
Open contracts	122,938		122,938	(122,938)	
Assigned to:					
Equipment replacement	1,502,245		1,502,245	(1,502,245)	
Deferred maintenance	515,907		515,907	(515,907)	
Open contracts	202,129		202,129	(202,129)	
Branch operations and maintenance	132,694		132,694	(132,694)	
Unassigned	23,568,772		23,568,772	(23,568,772)	
TOTAL FUND BALANCES	36,115,233	365,636	36,480,869	(36,480,869)	
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 39,361,398	\$ 365,636	\$ 39,727,034		

SACRAMENTO PUBLIC LIBRARY AUTHORITY

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET (CONTINUED)

June 30, 2015

	General Fund	Permanent Fund	Total Governmental Funds	Adjustments (Note 3)	Statement of Net Position
NET POSITION					
Net Investment in capital assets				\$ 7,623,270	\$ 7,623,270
Restricted for:					
Extension of services and operating hours				5,646,276	5,646,276
Donations				657,947	657,947
Book purchases				500,078	500,078
Trust obligations - expendable				234,455	234,455
Trust obligations - nonexpendable				131,181	131,181
County funded building improvements				2,942	2,942
Grant programs				2,862	2,862
Unrestricted				<u>15,281,636</u>	<u>15,281,636</u>
 TOTAL NET POSITION				 <u>\$ (6,400,222)</u>	 <u>\$ 30,080,647</u>

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, 2015

	General Fund	Permanent Fund	Total Governmental Funds	Adjustments (Note 4)	Statement of Activities
REVENUES					
Program revenues:					
Charges for services:					
Assessments and taxes	\$ 6,859,217		\$ 6,859,217		\$ 6,859,217
Fines, fees and penalties	762,586		762,586	\$ 572,086	1,334,672
Facility rental income	260,955		260,955		260,955
Galleria catering and other	70,480		70,480		70,480
Operating grants and contributions:					
County contributions	19,735,524		19,735,524	40,000	19,775,524
City contributions	7,635,600		7,635,600	(5,000)	7,630,600
Other agency contributions	171,399		171,399		171,399
Federal and State grants	136,947		136,947		136,947
Total program revenues	<u>35,632,708</u>		<u>35,632,708</u>	<u>607,086</u>	<u>36,239,794</u>
General revenues:					
Gifts and donations	1,148,587		1,148,587		1,148,587
E-rate refund	1,049,030		1,049,030		1,049,030
Investment income (loss)	266,143	\$ (3,342)	262,801		262,801
Other	263,119		263,119	(2,901)	260,218
Total general revenues	<u>2,726,879</u>	<u>(3,342)</u>	<u>2,723,537</u>	<u>(2,901)</u>	<u>2,720,636</u>
TOTAL REVENUES	<u>38,359,587</u>	<u>(3,342)</u>	<u>38,356,245</u>	<u>604,185</u>	<u>38,960,430</u>
EXPENDITURES/EXPENSES:					
Education:					
Current:					
Salaries and benefits	21,299,423		21,299,423	(220,671)	21,078,752
Services and supplies	8,319,713		8,319,713		8,319,713
Books and media subscriptions	1,453,239		1,453,239		1,453,239
Depreciation				2,907,001	2,907,001
Capital outlay:					
Books and media collection	2,908,847		2,908,847	(2,908,847)	
Other capital outlay	285,472		285,472	(285,472)	
TOTAL EXPENDITURES	<u>34,266,694</u>		<u>34,266,694</u>	<u>(507,989)</u>	<u>33,758,705</u>
CHANGE IN FUND BALANCES/NET POSITION					
	4,092,893	(3,342)	4,089,551	1,112,174	5,201,725
Fund balances/net position, beginning of year - as previously reported	<u>32,022,340</u>	<u>368,978</u>	<u>32,391,318</u>	<u>4,297,210</u>	<u>36,688,528</u>
Restatement				(11,809,606)	(11,809,606)
Fund balances/net position, beginning of year - as restated	<u>32,022,340</u>	<u>368,978</u>	<u>32,391,318</u>	<u>(7,512,396)</u>	<u>24,878,922</u>
FUND BALANCES/NET POSITION END OF YEAR	<u>\$ 36,115,233</u>	<u>\$ 365,636</u>	<u>\$ 36,480,869</u>	<u>\$ (6,400,222)</u>	<u>\$ 30,080,647</u>

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

SACRAMENTO PUBLIC LIBRARY AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2015

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 Library, one bookmobile and 27 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. 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, two representatives from the City of Elk Grove, one representative of the City Councils of the Cities of Citrus Heights 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 Library Director serves as Authority Treasurer and Auditor. The Authority approves a contract for legal counsel.

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. Included in the County contributions, except for the incorporated Cities of Sacramento and Folsom, is a dedicated percentage of property tax collections set aside for County Library purposes. The City of Folsom owns and operates their library system independently from the Authority. The City of Sacramento approves a contribution to the Authority as part of their budget. Library services at branches within the City of Sacramento are augmented by two voter-approved special parcel tax measures. Measure X is a ten year special parcel tax that went into effect on July 1, 2007 and will expire in June 2017. These special parcel 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, including the Central Library. Measure B went into effect during the year ended June 30, 2015 and will expire in June of 2026. These special parcel tax revenues are for "core library services", including, without limitation, open hours at branches, library staff, acquisition of library materials, and access to technology at branches within the City of Sacramento. Unspent special parcel tax revenues are reported on the General Fund balance sheet as restricted fund balance for parcel tax 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

SACRAMENTO PUBLIC LIBRARY AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE 1 – ORGANIZATION (Continued)

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 position 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.

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 position 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 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 inflows. 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.

SACRAMENTO PUBLIC LIBRARY AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.
- 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 parcel taxes. 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, 2015, \$3,813,912 in fines and fees are owed to the Authority. Based on an analysis of the percentage of fines and fees historically collected, management estimated that approximately 15% or \$572,086 of this amount will be collected and an allowance for uncollectible accounts for the remaining \$3,241,826 has been recorded.

Capital Assets: Capital assets, which include equipment, building improvements, software, furniture and fixtures and the books and media collection, are reported in the government-wide statement of net position. Capital asset acquisitions are recorded at historical 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. The books and media collection is depreciated over the average estimated useful life of the entire collection of 5 years. Facilities are the property of the Members and not the Authority and are not reported on the Authority's statement of net

SACRAMENTO PUBLIC LIBRARY AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

position. 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.

The Authority has certain historical treasures maintained in the Sacramento Room. A number of items in the Sacramento Room are on loan to the Library, which do not meet the criteria for capitalization. The Authority has elected not to capitalize the remaining items in the Sacramento Room that are owned by the Authority as allowed by paragraph 27 of GASB Statement No. 34 because they are held for public exhibition and education, are protected, kept unencumbered, cared for and preserved and subject to a policy that requires proceeds from sales, if any, to be used to acquire other items for collection.

Deferred Inflows and Unearned Revenue: Deferred inflows – unavailable revenue mainly includes \$190,000 of contributions from the County, \$75,000 of property taxes receivable under the Teeter Plan from the City of Sacramento, and \$572,086 in fines and fees that were earned as of year-end, but were not received within the Authority's availability period. Unearned revenue includes mainly meeting room rents for Galleria events that will occur in future periods. The deposits for these events will be recognized as revenue in the period when the events occur. See Note 10 for information about the deferred inflows related to the Authority's pension 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.

Pensions: For purposes of measuring the net pension liability, deferred outflows/inflows of resources and pension expense, information about the fiduciary net position of the Authority's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

Permanent Fund: The Authority maintains separate trust funds for contributions received from the Moore and Fratt families. The originally contributed principal of the Moore Trust totaling \$131,181 is nonspendable while investment earnings from the fund are considered restricted but spendable. The Authority received a restricted spendable amount totaling \$3,510 from the Francis W. Fratt Trust that may be used to purchase books of lasting value. Investment earnings from the Moore Memorial Trust may be used to purchase mystery related books. The Moore Memorial Trust requires the nonspendable principal and the spendable investment earnings to be invested with Wells Fargo Bank.

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

SACRAMENTO PUBLIC LIBRARY AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the following:

- Prepaid expenditures.
- Permanently restricted principal balance of the Moore Trust.

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 following:

- Parcel tax carryover restricted by the enabling legislation approving the special parcel tax.
- Unspent donations restricted for donor approved projects.
- An endowment received in 2015 that is restricted for book purchases.
- Unspent County Tobacco Bond funds restricted for building improvements.
- Amounts restricted for grant programs.
- Earnings on the Moore and Fratt Trusts.

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 highest level of decision-making authority, which is by resolution of the Board of Directors. 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 fund balance consists of the following:

- \$2,834,460 set aside for economic uncertainty that may be used according to the specific criteria defined under Resolution No. 14-40.
- Supplemental funds committed by resolution of the Board according to the JPA agreement for enhanced services at library branches.
- Open purchase orders originally exceeding \$50,000 that are 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 fund balance consists of the following :

- Amounts that have been assigned by management for information technology and equipment replacement.
- Deferred maintenance assigned for maintenance of library branches and the Galleria room.

SACRAMENTO PUBLIC LIBRARY AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Open purchase orders in original amounts of less than \$50,000 approved under management's spending authority and assigned to be expended on the related open contracts.
- Sylvan Oaks cell tower rents 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 and represents fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Net Position: In the statement of net position, net position are classified in the following categories:

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

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

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

Donations: The Authority receives donations from the Sacramento Public Library Foundation (the Foundation) and Friends of the Sacramento Public Library (Friends). The Library Director, Foundation and Friends approve activities to be funded with donations and the Board of Directors of the Library accept the donations throughout the year. 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.

New Pronouncements: In February 2015, the GASB approved Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements, including providing guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement establishes a hierarchy used to measure and report fair value, which has three levels: Level 1 inputs that are quoted prices in active markets for identical assets or liabilities, level 2 inputs that are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly and level 3 inputs that are unobservable inputs. This Statement is effective for periods beginning after June 15, 2015.

In June 2015, the GASB approved Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to other postemployment benefits other than pensions (OPEB). This Statement also addresses footnote disclosures and required supplementary information requirements for defined benefit OPEB plans. The alternative measurement method for OPEB plans will still be available

SACRAMENTO PUBLIC LIBRARY AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

under this Statement for employers with fewer than 100 employees (active and inactive). The provisions of this Statement are effective for periods beginning after June 15, 2017.

In June 2015, the GASB approved Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement identifies the hierarchy of generally accepted accounting principles (GAAP) for state and local governments, reducing the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This Statement is effective for periods beginning after June 15, 2015.

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

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

Fund balances of governmental funds		\$ 36,480,869
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		
Capital assets	\$ 28,095,387	
Less: accumulated depreciation	<u>(20,472,117)</u>	7,623,270
Pension contributions subsequent to the plan's measurement date will reduce the pension liability in the future and are reported as deferred outflows of resources on the statement of net position.		2,058,541
Certain liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Compensated absences		(1,670,559)
Unfunded pension liability		(9,847,972)
Other postemployment benefits obligation		(1,718,000)
Long-term receivables are not available to pay current period expenditures and are reported as deferred inflows in governmental		842,586
Net differences between projected and actual earnings on pension plan investments are reported as deferred inflows of resources on the statement of net position.		<u>(3,688,088)</u>
Net position in the government-wide statement of net position		<u><u>\$ 30,080,647</u></u>

SACRAMENTO PUBLIC LIBRARY AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2015

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 position of governmental activities primarily because of the long-term focus of the statement of net position 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	\$ 4,089,551
Some revenues are reported as deferred inflows in governmental funds because they do not represent current financial resources that are recognized in the Statement of Activities. Amount represents the change in deferred inflows recognized.	604,185
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	3,194,319
Depreciation expense	(2,907,001)
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.	
Change in deferred outflows of resources related to pension plan	(69,456)
Change in compensated absences	92,584
Change in unfunded pension liability	4,089,631
Change in deferred inflows of resources related to pension plan	(3,688,088)
Change in other postemployment benefits obligation	<u>(204,000)</u>
Change in Net Position of the Statement of Activities	<u>\$ 5,201,725</u>

NOTE 5 – CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30, 2015:

Cash on hand	\$ 12,207
Bank deposits	2,625,533
Investment in City of Sacramento Investment Pool	35,250,216
Moore Trust Fund investments	<u>240,568</u>
Total	<u>\$ 38,128,524</u>

SACRAMENTO PUBLIC LIBRARY AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE 5 – CASH AND INVESTMENTS (Continued)

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.

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 in May 22, 2014 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 \$240,568 at June 30, 2015 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 and exchange traded 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 \$35,250,216 as of June 30, 2015. 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 2.07 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 7% of the Permanent Fund's investment balance is invested in funds with ratings ranging from AAA to BBB (investment grade), approximately 3% is invested in funds with ratings below BBB. The remaining 90% is invested in exchange traded funds, real assets, money market accounts cash and other investments that are not rated.

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

SACRAMENTO PUBLIC LIBRARY AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE 5 – CASH AND INVESTMENTS (Continued)

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.

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% 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% of the secured public deposits.

At June 30, 2015, the carrying amount and balance per bank of the Authority's bank deposits were \$2,625,533 and \$2,782,730, respectively. Of the balance per bank at June 30, 2015, \$250,000 was covered by federal depository insurance and \$2,532,730 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, 2015, the Authority had outstanding future commitments under encumbrances reported as fund balance assigned for open contracts of \$202,129.

SACRAMENTO PUBLIC LIBRARY AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE 7 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Additions	Deletions and Transfers	Ending Balance
Capital assets, not being depreciated:				
Construction in progress		\$ 133,580		\$ 133,580
Total capital assets, not being depreciated		133,580		133,580
Capital assets, being depreciated:				
Equipment	\$ 8,702,611	22,770		8,725,381
Building improvements	487,305	121,127		608,432
Software	536,788	7,995		544,783
Furniture and fixtures	1,033,568			1,033,568
Books and media collection	16,580,659	2,908,847	\$ (2,439,863)	17,049,643
Total capital assets	27,340,931	3,060,739	(2,439,863)	27,961,807
Accumulated depreciation:				
Equipment	(8,166,639)	(119,728)		(8,286,367)
Building improvements	(208,501)	(24,935)		(233,436)
Software	(536,645)	(3,727)		(540,372)
Furniture and fixtures	(999,078)	(22,859)		(1,021,937)
Books and media collection	(10,094,116)	(2,735,752)	2,439,863	(10,390,005)
Total accumulated depreciation	(20,004,979)	(2,907,001)	2,439,863	(20,472,117)
Total capital assets being depreciated, net	7,335,952	153,738		7,489,690
Total capital assets, net	\$ 7,335,952	\$ 287,318	\$ -	\$ 7,623,270

NOTE 8 - OPERATING LEASES

The Authority is obligated under various operating leases for the use of office buildings and the lease of four vehicles. Lease expenditures for the year ended June 30, 2015 were \$162,433. Two of the leases have options to renew for one three year period. One lease will renew at market rents and the other would renew at rents scheduled in the lease agreement with increases of 2.5% or less. Future minimum lease payments required by the lease agreements as of June 30, 2015 were as follows:

Year Ending June 30,	
2016	\$ 163,001
2017	82,365
2018	19,043
2019	19,043
2020	19,043
Thereafter	250,733
Total	\$ 553,228

SACRAMENTO PUBLIC LIBRARY AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE 9 - LONG-TERM LIABILITIES

Long-term liabilities for the year ended June 30, 2015 are as follows:

	Beginning Balance (as Restated)	Additions	Deletions	Ending Balance	Due Within One Year
Compensated absences	\$ 1,763,143	\$ 2,034,733	\$ (2,127,317)	\$ 1,670,559	\$ 1,670,559
Unfunded pension liability	13,937,603	6,919,947	(11,009,578)	9,847,972	
Other postemployment benefits obligation	1,514,000	410,000	(206,000)	1,718,000	
Total long-term liabilities	<u>\$ 17,214,746</u>	<u>\$ 9,364,680</u>	<u>\$ (13,342,895)</u>	<u>\$ 13,236,531</u>	<u>\$ 1,670,559</u>

NOTE 10 - PENSION PLANS

Defined Benefit Plan - General Information about the Pension Plan:

Plan Description: All qualified permanent and probationary employees are eligible to participate in the Authority's Miscellaneous Plan, an agent multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plan are established by State statute and Authority resolution. CalPERS issues a publicly available report that includes a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The death benefit is one of the following: the Basic Death Benefit or the 1959 Survivor Benefit, Level 3. The cost of living adjustment is applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2015, are summarized as follows:

	Miscellaneous Plan	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula (at full retirement)	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.43% to 2.42%	1.0% to 2.5%
Required employee contribution rates	7.00%	6.75%
Required employer contribution rates	14.31%	14.31%

SACRAMENTO PUBLIC LIBRARY AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE 10 - PENSION PLAN (Continued)

The Public Employees' Pension Reform Act of 2013 (PEPRA) requires the 2.0% at 62 benefit to be used by any new participants that were not members of CalPERS on January 1, 2013.

Employees Covered: At June 30, 2013 (the most recent amounts available), the following employees were covered by the benefit terms for the Plan:

Inactive employees or beneficiaries currently receiving benefits	178
Inactive employees entitled to but not yet receiving benefits	270
Active employees	<u>273</u>
Total	<u><u>721</u></u>

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Net Pension Liability: The Authority's net pension liability for the Plan is measured as the total pension liability, less the plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions: The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
<u>Actuarial Assumptions:</u>	
Discount Rate	7.50%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)
Mortality - pre-retirement	Based on 2010 CalPERS Experience Study for the period from 1997 to 2007

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

SACRAMENTO PUBLIC LIBRARY AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE 10 - PENSION PLAN (Continued)

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate: The discount rate used to measure the total pension liability was 7.50% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

SACRAMENTO PUBLIC LIBRARY AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE 10 - PENSION PLAN (Continued)

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	100.0%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

Changes in the Net Pension Liability: The changes in the Net Pension Liability for the Plan follows:

Miscellaneous Plan:	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$ 59,762,461	\$ 45,824,858	\$ 13,937,603
Changes in the year:			
Service cost	2,429,839		2,429,839
Interest on the total pension liability	4,490,108		4,490,108
Differences between actual and expected experience			
Changes in assumptions			
Changes in benefit terms			
Contribution - employer		1,951,143	(1,951,143)
Contribution - employee (paid by employer)			
Contribution - employee		986,310	(986,310)
Net investment income		8,072,125	(8,072,125)
Administrative expenses			
Benefit payments, including refunds of employee contributions	(2,218,568)	(2,218,568)	
Net changes	4,701,379	8,791,010	(4,089,631)
Balance at June 30, 2015	\$ 64,463,840	\$ 54,615,868	\$ 9,847,972

SACRAMENTO PUBLIC LIBRARY AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE 10 - PENSION PLAN (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the Authority for the Plan, calculated using the discount rate for the Plan, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.50%
Net Pension Liability	\$ 18,189,935
Current Discount Rate	7.50%
Net Pension Liability	\$ 9,847,972
1% Increase	8.50%
Net Pension Liability	\$ 2,888,221

Pension Plan Fiduciary Net Position: Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions:

For the year ended June 30, 2015, the Authority recognized pension expense of \$1,549,600. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 2,058,541	
Differences between actual and expected experience		
Changes in assumptions		
Net differences between projected and actual earnings on plan investments		\$ (3,688,088)
Total	<u>\$ 2,058,541</u>	<u>\$ (3,688,088)</u>

SACRAMENTO PUBLIC LIBRARY AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE 10 - PENSION PLAN (Continued)

The \$2,058,541 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30		
2016	\$	(922,022)
2017		(922,022)
2018		(922,022)
2019		(922,022)
	\$	<u>(3,688,088)</u>

Payable to the Pension Plan: At June 30, 2015, the Authority reported a payable of \$163,566 for the outstanding amount of contributions to the Plan required for the year ended June 30, 2015.

Defined Contribution Plan: The Authority has a Section 401(a) Money Purchase Plan that is a defined contribution pension plan available only to unrepresented management employees. The Plan is administered by a trustee under a trust agreement. Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Authority’s Board of Directors according to the Authority’s Unrepresented Personnel Resolution. Employees may contribute up to 5% and the Authority will contribute up to 4% of the employees’ annual covered salary to an individual employee account. Contributions made during the year ended June 30, 2015 by participants and the Authority totaled \$54,427 and \$43,050, respectively. Employees vest immediately in their own contributions and the contributions of the Authority.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN

The Authority provides two other postemployment benefits (OPEB) plans to employees that are available to employees based on their hire date.

First OPEB Plan – Retiree Health Insurance Contribution

Plan Description: The Authority’s first other postemployment benefits OPEB healthcare plan (the Plan) provides medical benefits to retired employees and their eligible dependents for represented employees hired prior to January 1, 2012 and unrepresented employees hired prior to July 1, 2011. Employees hired after these dates are not eligible for the benefit. The Plan has 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 55 or later, with 10 years of employment.

There is no age limit if the employee has 30 or more years of service. The Authority’s Board of Directors has the authority to establish and amend benefit provisions. The Plan does not issue separate financial statements.

SACRAMENTO PUBLIC LIBRARY AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS PLAN (Continued)

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, 2015, the Authority contributed approximately \$206,000 to the Plan through pay-as-you-go health and dental insurance benefit payments on behalf of Plan members. Plan members did not make any contributions to the Plan and the Plan is unfunded.

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	\$ 405,000
Interest on net OPEB obligation	67,000
Adjustment to annual required contribution	<u>(62,000)</u>
Annual OPEB cost (expense)	410,000
Contributions made including credited interest	<u>(206,000)</u>
Increase (decrease) in net OPEB obligation	204,000
Net OPEB obligation, beginning of period	<u>1,514,000</u>
 Net OPEB obligation (asset), end of period	 <u><u>\$ 1,718,000</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 three 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>
6/30/2013	\$ 366,000	48.74%	\$ 1,312,000
6/30/2014	389,000	48.07%	1,514,000
6/30/2015	410,000	50.24%	1,718,000

Funded Status and Funding Progress: The funded status of the Plan as of January 1, 2014, the Plan’s most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 5,166,000
Actuarial value of Plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 5,166,000</u>
Funded ratio (actuarial value of Plan assets/AAL)	0.00%
Covered payroll (active Plan participants)	\$ 13,137,000
UAAL as a percentage of covered payroll	39.32%

SACRAMENTO PUBLIC LIBRARY AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2015

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, 2014 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% investment rate of return, a 2.8% rate of inflation and a 3.0% increase in payroll and no change in the maximum monthly benefit of \$225. The UAAL is being amortized over a 30 year period with 26 years remaining.

Second OPEB Plan – Health Savings Accounts

The Authority suspended the first OPEB benefit described above for represented employees hired on or after July 1, 2012 and unrepresented employees hired on or after July 1, 2011 and replaced it with a plan where the Authority makes a deposit into a retirement health savings account in the name of each eligible employee on a monthly basis. The contributions are held in trust for employees and are administered by an external trustee. Employees may not contribute to the Plan. For employees that are members of the International Union of Operating Engineers, Stationary Local 39, AFL-CIO bargaining unit (Local 39), the change was effective July 1, 2012. Effective July 1, 2014, a contribution of \$60 per month was approved for unrepresented employees. A contribution of \$60 per the first two pay periods each month beginning July 1, 2013 was approved for Local 39 employees. Benefit provisions and all other requirements are established and may be amended by resolution of the Authority's Board of Directors according to the Authority's labor agreements. The Authority contributed \$197,642 to the Plan during the year ended June 30, 2015.

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 exceeding insurance coverage for the past three years.

SACRAMENTO PUBLIC LIBRARY AUTHORITY

NOTES TO THE BASIC FINANCIAL STATEMENTS (Continued)

June 30, 2015

NOTE 13– CONTINGENCIES

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.

The Authority was a member of the Mountain Valley Library System (the System) prior to the System being absorbed into NorthNet Library System. It has been determined by CalPERS that the System has deferred outflows of resources of \$10,344, an unfunded pension liability of \$165,747 and deferred inflows of resources of \$55,698 as of the latest measurement date of June 30, 2014. It is believed the Authority will be required to pay a portion of the System's pension obligations, which will be shared by the members based on their length of membership and other factors. The amount that will ultimately be owed by the Authority is unknown and was not accrued as of June 30, 2015.

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 parcel taxes related to property taxes. A reduction in funding from the County and City of Sacramento could significantly impact operations of the Authority.

NOTE 15 – SUBSEQUENT EVENT

The Authority was named the benefactor of the Erin C. and Heidi K. Hurst estate during the year ended June 30, 2015. The Authority received \$500,000 prior to June 30, 2015 and an additional \$1,137,575 in September 2015 from the estate. These funds are restricted for the purchase of books.

NOTE 16 – CHANGES IN ACCOUNTING PRINCIPLES

During the year ended June 30, 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These Statements required the Authority to recognize in its accrual basis financial statements the net pension liability, deferred outflows of resources and deferred inflows of resources for the Authority's pension plan. These Statements also required contributions made after the June 30, 2014 measurement date used in the actuarial valuation for the pension plan to be reported as deferred outflows of resources.

Due to the implementation of these Statements, total deferred outflows of resources increased by \$2,127,997, total liabilities increased by \$13,937,603 and total net position decreased by \$11,809,606 as of July 1, 2014 in the Authority's government-wide financial statements.

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, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Program revenues:				
Charges for services:				
Assessment and taxes	\$ 4,950,000	\$ 6,875,000	\$ 6,859,217	\$ (15,783)
Fines, fees and penalties	630,000	630,000	762,586	132,586
Facility rental income	264,000	299,000	260,955	(38,045)
Galleria catering and other	55,000	69,000	70,480	1,480
Operating grants and contributions:				
County contributions	17,950,000	19,500,000	19,735,524	235,524
City contributions	7,635,600	7,635,600	7,635,600	
Other agency contributions	118,000	130,000	171,399	41,399
Federal and State grants		133,072	136,947	3,875
Total program revenues	<u>31,602,600</u>	<u>35,271,672</u>	<u>35,632,708</u>	<u>361,036</u>
General revenues:				
Gifts and donations		1,027,101	1,148,587	121,486
E-rate refund	350,000	700,000	1,049,030	349,030
Investment income (loss)	270,000	269,990	266,143	(3,847)
Other	165,560	179,559	263,119	83,560
Total general revenues	<u>785,560</u>	<u>2,176,650</u>	<u>2,726,879</u>	<u>550,229</u>
TOTAL REVENUES	<u>32,388,160</u>	<u>37,448,322</u>	<u>38,359,587</u>	<u>911,265</u>
EXPENDITURES				
Education:				
Current:				
Salaries and benefits	23,053,000	22,541,866	21,299,423	1,242,443
Services and supplies	8,697,135	10,310,252	8,319,713	1,990,539
Books and media subscriptions	1,500,000	1,371,621	1,453,239	(81,618)
Capital outlay				
Books and media collection	3,202,000	3,140,125	2,908,847	231,278
Other capital outlay	976,500	324,000	285,472	38,528
TOTAL EXPENDITURES	<u>37,428,635</u>	<u>37,687,864</u>	<u>34,266,694</u>	<u>3,421,170</u>
CHANGE IN FUND BALANCE	(5,040,475)	(239,542)	4,092,893	4,332,435
Fund balance, beginning of year	<u>32,022,340</u>	<u>32,022,340</u>	<u>32,022,340</u>	
FUND BALANCE, END OF YEAR	<u>\$ 26,981,865</u>	<u>\$ 31,782,798</u>	<u>\$ 36,115,233</u>	<u>\$ 4,332,435</u>

SACRAMENTO PUBLIC LIBRARY AUTHORITY

As of June 30, 2015

Last 10 Years

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	<u>2015</u>
Total Pension Liability	
Service Cost	\$ 2,429,839
Interest on total pension liability	4,490,108
Differences between expected and actual experience	
Changes in assumptions	
Changes in benefits	
Benefit payments, including refunds of employee contributions	(2,218,568)
Net change in total pension liability	<u>4,701,379</u>
Total pension liability - beginning	<u>59,762,461</u>
Total pension liability - ending (a)	<u><u>\$ 64,463,840</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 1,951,143
Contributions - employee	986,310
Net investment income	8,072,125
Benefit payments	(2,218,568)
Net change in plan fiduciary net position	<u>8,791,010</u>
Plan fiduciary net position - beginning	<u>45,824,858</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 54,615,868</u></u>
Net pension liability - ending (a)-(b)	<u><u>\$ 9,847,972</u></u>
Plan fiduciary net position as a percentage of the total pension liability	<u><u>84.72%</u></u>
Covered - employee payroll	<u><u>\$ 13,654,614</u></u>
Net pension liability as percentage of covered - employee payroll	<u><u>72.12%</u></u>

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013.

Changes in assumptions. There were no changes in assumptions.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

SACRAMENTO PUBLIC LIBRARY AUTHORITY

As of June 30, 2015

Last 10 Years

SCHEDULE OF CONTRIBUTIONS - PENSION PLAN

	<u>2015</u>
Actuarially determined contribution	\$ 1,951,143
Contributions in relation to the actuarially determined contributions	<u>1,951,143</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered - employee payroll	\$ 13,654,614
Contributions as a percentage of covered - employee payroll	14.29%

Notes to Schedule:

Valuation date: June 30, 2013

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry-Age Normal Cost Method
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	3.3% - 14.2% depending on age, service, and type of employment
Payroll growth	3.00%
Investment rate of return	7.5%, net of pension plan investment expense, including inflation
Retirement age	50 -67 years. Probabilities of retirement are based on the 2010 CalPERS Experience Study for the period 1997 to 2007.
Mortality	Based on 2010 CalPERS Experience Study for the period from 1997 to 2007.

Omitted years: GASB Statement No. 68 was implemented during the year ended June 30, 2015. No information was available prior to this date.

SACRAMENTO PUBLIC LIBRARY AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS PLAN

June 30, 2015

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]
1/1/2012	\$ -	\$ 5,066,000	\$ 5,066,000	0.00%	\$ 18,365,000	27.59%
1/1/2014		5,166,000	5,166,000	0.00%	13,137,000	39.32%

Note: The June 30, 2013 and June 30, 2015 information was not included in either the January 1, 2012 or the January 1, 2014 valuation and is not available to report above.

COMPLIANCE REPORT

INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Sacramento Public Library Authority (the Authority) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 5, 2015

Internal Control Over Financial Reporting

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

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

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

To the Board of Directors
Sacramento Public Library Authority

Compliance and Other Matters

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

Purpose of this Report

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

Richardson & Company, LLP

November 5, 2015