Sonoma County Library

For the fiscal year ended June 30, 2023

Basic Financial Statements
and
Independent Auditor's Report

PISENTI & BRINKER LLP
Certified Public Accountants & Advisors

An independently owned member
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Sonoma County Library
Table of Contents

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Independent Auditor's Report

To the Library Commission
Sonoma County Library

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sonoma County Library (the Library), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Library, as of June 30, 2023, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Independent Auditor's Report (continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

Santa Rosa, CA
December 13, 2023

Management's Discussion and Analysis

As management of the Sonoma County Library (the "Library"), we offer readers of the Library's financial statements this narrative overview including highlights of program achievements and analysis of the financial activities of the Library for the fiscal year ended June 30, 2023.

Library Program Achievements

During the fiscal year ended June 30, 2023, the Library emerged out of the pandemic with robust in-person programs, expanded outreach, and expanded hours. Our circulation this past year exceeded circulation in all prior years since before the passage of Measure Y. The Library also had the following achievements:

- The Sonoma County Library had 1.2 million in-person visits to branches. This is a 37% increase over the prior fiscal year. This increase in patron visits was partly due to a concerted effort to expand hours, including service from 1:00 to 5:00 PM on Sundays, which began in November 2022. This was an enormous achievement that could not have been done without funds from Measure Y, as well as the hard work and commitment of many library staff.
- LecturaFest at Central Santa Rosa Library welcomed more than 300 people to celebrate reading, music, and culture with bilingual events, activities, and delicious tacos.
- Latin Grammy Award-winning artist Lucky Diaz performed at six Library branches as part of our Hispanic Latinx Heritage Month celebrations. Central Library staff reported a total of 41 attendees for their program, and Roseland had an astonishing 125 attendees! This kind of programming highlights to us how important culturally relevant programming is to our communities.
- ZineFest 2023 was held April 11–15, 2023, with educational programs throughout the week and a day-long event on April 15. For the third year in a row, ZineFest inspired self-expression through art, words, and civic engagement, as participants across age groups, cultures, languages, and abilities shared their voices and visions in print. The local community responded with increased interest, with double the quantity of applications for presenters as well as exhibitors this year.
- Petaluma Regional Library's annual LumaCon event, which was held in person for the first time since 2019, had an estimated 1,000-1,500 attendees, featuring 37 youth artists from 5th-12th grades and 25 professional graphic artists.
- The IT Department added 100 new hotpsots to replenish Chromekit/SonomaFi collection and ordered 300 new lines of service for SonomaFi hotspot program.
- Biblioboxes, 24/7 booklockers for patron holds, were installed at Sonoma Valley, Guerneville, Rincon Valley, and Healdsburg branches.
- The Library's first laptop lending kiosk was installed at the Central Santa Rosa Library, with three other branches set to install in the next fiscal year.
- The Library received $560,515 in grant funding for IT, Literacy, and Public Services programming, including funds to upgrade internal WiFi access points; adult literacy, family literacy, and ESL services; a digital Memory Lab; State Park Pass programming; and Summer Lunch at the Library.
- The 2023 Summer Reading Challenge concluded with 4,072 participants reading a total of 3,132,964 minutes over the course of the summer – an increase of 140% over the previous year. The library hosted 1,789 events, both in-libraries and offsite, with more than 45,000 attendees.

Library Program Achievements (continued)

- The 2023 Summer Lunch at the Library program provided 4,829 meals to youth, gathered 1,160 attendees at enrichment performances, conducted 64 Pop-Up outreach visits to community meal sites, and employed 14 Teen Interns.
- The BiblioBus serviced 11,757 people at 26 newly introduced Community Stops in underserved and unincorporated areas of Sonoma County and at 111 outreach events this fiscal year.

Financial Highlights

- The assets and deferred outflows of resources of the Library exceeded its liabilities and deferred inflows of resources at June 30, 2023 by $38,124,532 (net position). See Note B for an explanation of deferred outflows and deferred inflows of resources.

- The Library's total net position increased by $6,133,570 for the year ended June 30, 2023. This increase was primarily due to increased total revenues from investment earnings, property taxes and sales tax revenues.

- As of June 30, 2023, the Library's governmental funds reported combined ending fund balances of $45,300,854, an increase of $3,316,173 from the prior year. Of this amount, 25% or $11,200,854 is the unassigned fund balance available for spending at the Library's discretion.

- As of June 30, 2023, the unassigned fund balance for the General Fund was $11,200,854 or 44.8% of the total General Fund expenditures for the year ended June 30, 2023.

- The voter-approved Measure Y Sales Tax expires on March 31, 2027. Management is currently evaluating the impact and next steps to renew the sales tax.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statement portions of this combined reporting format are designed to provide readers with a broad overview of the Library's finances, in a manner similar to the private business sector.

Overview of the Financial Statements (continued)

The *statement of net position* presents the Library's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the Library'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 items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Governmental Funds

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. As a joint powers authority, the Library akin to state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Library's funds fall under the category of governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements and 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 a government'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 governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Library maintains two major governmental funds, the General Fund and the Measure Y Special Revenue Fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Measure Y Special Revenue Fund. All of the non-major funds are aggregated and presented in a single column titled "Other Funds".

Overview of the Financial Statements (continued)

Notes to the Basic 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 basic financial statements can be found after the basic financial statements section of this report.

Required Supplementary Information

Schedules presenting budgetary comparison information for the Library's General Fund and Special Revenue Funds are supplementary information required by generally accepted accounting principles. The budgetary schedules immediately follow the notes to the basic financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by $38,124,532 at the close of the most recent fiscal year. This is an increase of $6,133,570 from the prior fiscal year.

Summarized Statements of Net Position	As of June 30, 2023	As of June 30, 2022
Cash and investments	$ 43,713,711	$ 40,376,490
Other assets	3,264,925	3,259,628
Capital assets, net	16,194,424	15,904,341
Total assets	63,173,060	59,540,459
Deferred outflows of resources	10,600,466	5,370,164
Current liabilities	2,334,269	2,270,581
Non-current liabilities	30,728,136	22,325,707
Total liabilities	33,062,405	24,596,288
Deferred inflows of resources	2,586,589	8,323,373
Net position		
Invested in capital assets	9,716,351	8,832,103
Restricted	28,236,186	26,355,343
Unrestricted (deficit)	171,995	(3,196,484)
Total net position	$ 38,124,532	$ 31,990,962

Government-wide Financial Analysis (continued)

The largest portion of the Library's net position is restricted. Restricted net position of $28,236,186 represents resources that are subject to limitations on their use imposed by parties outside the government, constitutional provisions, or enabling legislation.

Restricted net position increased by $1,880,843 or 7.1%. This increase is primarily due to an increase of $114,297 in net position restricted for health reimbursement accounts, an increase of $1,658,961 in net position restricted for purposes described in the Measure Y Expenditure Plan, and an increase of $107,585 in net position with restrictions imposed by donors.

The Library's net investment in capital assets was $9,716,351 at fiscal year-end and consists of investment in capital assets (net of accumulated amortization and depreciation) of $16,194,424 less the outstanding liability related to capital assets of $6,478,073.

The Library's unrestricted net position increased from ($3,196,484) at June 30, 2022, to $171,995 at June 30, 2023. The change is related to deferred outflows of resources and deferred inflows of resources related to pension and net other postemployment benefits (OPEB) Plans.

The Library's governmental activities increased net position by $6,133,570. Key elements of these activities during the fiscal year ended June 30, 2023, are identified below.

- The Library recognized property tax revenues totaling $25,807,664 which is an increase of $1,764,887 from the prior fiscal year. This increase can be attributed to increased property values.

- The Library recognized sales tax revenues for Measure Y totaling $15,828,872, which is an increase of $173,862 from the prior fiscal year. This increase can be attributed due to growth in consumer spending.

- The Library's investment income of $640,308 is due to interest income of $716,559 offset to an unrealized loss on investments of $76,251 at June 30, 2023. Additional information can be found in Note B and D of these financial statements.

- Personnel expenses increased by $5,043,204 to $23,919,828. The increase can be attributed to an increase of $3,643,826 in salaries and benefits and less than expected returns on pension and OPEB plan investments.

Government-wide Financial Analysis (continued)

- The Library's program expenses increased by $1,073,846 to $7,397,298 due to expanded operating hours and increased in-person programs.

Summarized Statements of Activities	For the year ended June 30, 2023	For the year ended June 30, 2022
Revenues		
Program revenues	$ 596,090	$ 597,849
Property taxes	25,807,664	24,042,777
Sales tax - Measure Y	15,828,872	15,655,010
Investment income (loss)	640,308	(1,185,167)
Intergovernmental	268,634	232,158
Gain on sale of capital assets	7,320	-
Other revenue	127,004	163,736
Total revenues	43,275,892	39,506,363
Expenses		
Personnel	23,919,828	18,876,624
Materials	4,105,789	4,152,950
Amortization	676,185	665,379
Depreciation	928,795	891,939
Interest	114,427	122,937
Other program expenses	7,397,298	6,323,452
Total expenses	37,142,322	31,033,281
Increase in net position	6,133,570	8,473,082
Net position at beginning of year	31,990,962	23,517,880
Net position at end of year	$ 38,124,532	$ 31,990,962

Governmental Funds Analysis

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with legal and governmental accounting requirements.

The focus of the Library's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of the Library's net resources available for spending at the end of the fiscal year. Such information may be useful in evaluating the Library's near-term financing requirements.

General Fund

The Library uses funds to help control and manage resources for particular purposes. The Library's General Fund reported a fund balance of $17,705,375 as of June 30, 2023, which is an increase from a balance of $16,084,154 as of June 30, 2022. Factors in this increase included an increase of $1,764,887 in property tax revenue.

The General Fund is the main operating fund of the Library. At June 30, 2023, the unassigned fund balance of the General Fund was $ 11,200,854.

Special Revenue Funds

The changes in the special revenue funds from year to year were as follows:

1) Measure Y Fund - The Measure Y fund accounts for the revenue and expenses associated with the Sonoma County Library Sales Tax Initiative, a sales tax measure passed in November 2016. Collection of this 1/8 cent sales tax began on April 1, 2017. The Measure Y fund reported a fund balance of $22,796,121 as of June 30, 2023, which is an increase from a balance of $21,208,778 as of June 30, 2022. Several factors contributed to the fund balance increase of $1,587,343. These factors included: investment income of $351,303 and increases in sales tax revenues of $173,862 and intergovernmental revenue of $116,003.

2) Other Funds – The Other funds reported a fund balance of $4,799,358 as of June 30, 2023, which is an increase from a balance of $4,691,749 as of June 30, 2022. This represents an increase of $107,609 for the year ended June 30, 2023. The increase was due to increased grants and contributions and an increase in investment income.

Capital Assets

The Library’s capital assets balance as of June 30, 2023, amounted to $16,194,424 (net of accumulated depreciation).

	Capital Assets (Net of Depreciation)	
June 30,	**2023**	**2022**
Land	$ 207,000	$ 207,000
Construction in progress	1,838,449	1,457,069
Buildings and improvements	5,512,909	5,004,459
Furnishings and equipment	2,021,748	1,981,535
Vehicles	480,821	470,343
SBITA assets	9,310	-
Lease assets	6,124,187	6,783,935
Total capital assets, net	$ 16,194,424	$ 15,904,341

Capital Assets activity during the fiscal year ended June 30, 2023, included the following:

- Lease assets decreased by $659,748 due to current year amortization.
- The Library implemented Governmental Accounting Standards Board (GASB) Statement No. 96 *Subscription-Based Information Technology Arrangements (SBITAs)*. This implementation resulted in a SBITA asset balance of $9,310.
- Building and improvements increased $508,450 due to the completion of the Broadband extension, Rincon Valley Sound Studio, Guerneville Refresh and the wireless access points projects.
- Construction in progress increased by $381,380 due to the addition of new projects such as controlled access to staff areas and forum rooms, air quality, temperature control and preparations for the Healdsburg and Petaluma building refreshes.

Additional information on the Library’s capital assets can be found in Note E to these financial statements.

Long-Term Obligations

Long-term obligations are as follows:

June 30,	2023	2022
Compensated absences	$ 1,746,966	$ 1,699,918
Health reimbursement account liability	586,590	510,547
Financed purchases	54,567	108,862
Lease liability	5,770,950	6,353,747
SBITA liability	4,900	-
Net pension liability	13,963,236	4,904,656
Net OPEB liability	8,600,927	8,747,977
Total	$ 30,728,136	$ 22,325,707

Highlights of the Library's long-term debt activity are as follows:

- The health reimbursement account liability increased from prior year because contributions to the plan exceeded withdrawals. The health reimbursement account liability is offset by restricted assets in the Statement of Net Position.

- The financed purchases liability was reduced by $54,295 due to a scheduled principal payment.

- The net pension liability increased by $9,058,580, primarily due to lower than expected returns on investments.

- To address the unfunded liability related to OPEB, the Library Commission approved a revised OPEB policy during the 2018-19 fiscal year. Under the new policy, the Library made direct contributions to the OPEB Trust. The additional payments of $6,000,000 between the fiscal years ended June 30, 2019 through 2022 and $1,406,128 additional payment during the fiscal year ended June 30, 2023, reduced the OPEB liability over the past five years. The Library is committed to make additional payments of $750,000 per year through fiscal year 2028-29. More detailed information about the Library's compensated absences is presented in Note B, the pension liability in Note F, and other post-employment benefits in Note G to these financial statements.

General Fund Budgetary Highlights

There were three variances between the budget and actuals in the General Fund that are worth noting for the year ended June 30, 2023. The actual property tax revenue received was $1,092,301 higher than the budgeted amount due to greater than anticipated increases in the assessed value of taxable property. Salaries and benefits were under budget $898,703 due to a new allocation of revenue sources policy, unfilled positions, and savings in benefit costs. Capital outlay was under budget by $572,397 primarily due to delays in projects started.

Measure Y (Sales Tax) Budgetary Highlights

There were a few variances between the budget and actuals in the Measure Y Fund worth noting for the year ended June 30, 2023. Sales tax revenue received was $328,872 greater than anticipated, due to increased consumer spending. Operating expenditures were under budget by $1,067,137 due to lower than anticipated spending on maintenance, information technology services, and utilities. Salaries and benefits were under budget by $1,474,364 due to unfilled positions, and savings in actual benefits cost. Capital outlay was under budget by approximately $4,776,728 mainly due to the delays in the starting of refresh and renovation projects at the Petaluma and Healdsburg branches.

Economic Factors and New Year's Budget

For fiscal year 2023-24, the two major sources of revenue for the Library, property and sales tax, are expected to increase due to positive economic trends. The Library budget includes 3 new full-time equivalent positions. An increase to the operating expenditures budget for physical and electronic materials, technology and branch building upgrades, increased services including the continuation of Sunday hours, outreach and programming, and communications.

Contacting the Library's Financial Management

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the Library's finances and to show the Library's accountability for the funds that the Library receives. Any inquiries about this report or requests for additional information may be directed to Erika Thibault, Director, 6135 State Farm Drive, Rohnert Park, CA 94928.

Basic Financial Statements

Sonoma County Library

Statement of Net Position

June 30, 2023

Assets	
Cash and investments	$ 43,031,546
Accounts receivable	93,058
Sales tax receivable	2,787,381
Prepaid items	326,561
Other assets	57,925
Restricted cash and investments - flexible savings accounts	22,268
Noncurrent assets:	
Restricted cash and investments - health reimbursement accounts	659,897
Capital assets not being depreciated:	
Land	207,000
Construction in progress	1,838,449
Capital assets (net of accumulated depreciation):	
Building and improvements	5,512,909
Furnishings and equipment	2,021,748
Vehicles	480,821
SBITA assets	9,310
Lease assets	6,124,187
Total capital assets, net	16,194,424
Total assets	63,173,060
Deferred outflows of resources	
Deferred pensions	7,551,083
Deferred OPEB	3,049,383
Total deferred outflows of resources	10,600,466
Liabilities	
Accounts payable and accrued liabilities	1,677,782
Interest payable	8,831
Financed purchases, current	54,295
Lease liability, current	588,559
SBITA liability, current	4,802
Noncurrent liabilities:	
Compensated absences	1,746,966
Health reimbursement account liability	586,590
Financed purchases	54,567
Lease liability	5,770,950
SBITA liability	4,900
Net pension liability	13,963,236
Net OPEB liability	8,600,927
Total liabilities	33,062,405
Deferred inflows of resources	
Deferred pensions	746,749
Deferred OPEB	1,839,840
Total deferred inflows of resources	2,586,589
Net position	
Invested in capital assets	9,716,351
Restricted	28,236,186
Unrestricted	171,995
Total net position	$ 38,124,532

See accompanying Notes to the Basic Financial Statements

Statement of Activities

For the Fiscal Year Ended June 30, 2023

Program expenses		
Personnel	$	23,919,828
Materials		4,105,789
Amortization		676,185
Depreciation		928,795
Interest		114,427
Other program expenses		7,397,298
Total program expenses		37,142,322
Program revenues		
Operating grants and contributions		511,355
Charges for fines, fees and services		84,735
Total program revenues		596,090
Net program expenses		36,546,232
General revenues		
Property taxes		25,807,664
Sales tax - Measure Y		15,828,872
Investment income		640,308
Intergovernmental		268,634
Gain on sale of capital assets		7,320
Other		127,004
Total general revenues		42,679,802
Increase in net position		6,133,570
Net position at beginning of the year		31,990,962
Net position at end of the year	$	38,124,532

June 30, 2023

	General Fund	Special Revenue Funds: Measure Y	Special Revenue Funds: Other Funds	Total Governmental Funds
Assets				
Cash and investments	$ 17,822,239	$ 20,417,641	$ 4,791,666	$ 43,031,546
Accounts receivable	93,058	-	-	93,058
Sales tax receivable	-	2,787,381	-	2,787,381
Prepaid items	317,371	9,166	24	326,561
Due from other funds	639	28,484	680	29,803
Other assets	47,925	-	10,000	57,925
Restricted assets:				
Restricted cash and investments	682,165	-	-	682,165
Total assets	$ 18,963,397	$ 23,242,672	$ 4,802,370	$ 47,008,439
Liabilities and fund balances				
Liabilities				
Accounts payable and accrued liabilities	$ 1,229,470	$ 445,300	$ 3,012	$ 1,677,782
Due to other funds	28,552	1,251	-	29,803
Total liabilities	1,258,022	446,551	3,012	1,707,585
Fund balances				
Nonspendable	317,371	9,166	10,024	336,561
Restricted	659,897	22,786,955	4,789,334	28,236,186
Committed:				
Capital improvement & replacement	915,733	-	-	915,733
Stabilization fund	4,124,721	-	-	4,124,721
Major maintenace	486,799	-	-	486,799
Unassigned	11,200,854	-	-	11,200,854
Total fund balances	17,705,375	22,796,121	4,799,358	45,300,854
Total liabilities and fund balances	$ 18,963,397	$ 23,242,672	$ 4,802,370	$ 47,008,439

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

		June 30, 2023
Total fund balances - governmental funds	$	45,300,854
Total net position reported in the statement of net position is different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds:		
Capital assets, net		16,194,424
Deferred outflows of resources are reported in the statement of net position but not reported in the governmental funds		10,600,466
Deferred inflows of resources are reported in the statement of net position but not reported in the governmental funds		(2,586,589)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Compensated absences		(1,746,966)
Health reimbursement account liability		(586,590)
Financed purchases		(108,862)
Lease liability		(6,359,509)
SBITA liability		(9,702)
Interest payable		(8,831)
Net pension liability		(13,963,236)
Net OPEB liability		(8,600,927)
Total net position	$	38,124,532

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the Fiscal Year Ended June 30, 2023

	General Fund	Measure Y	Other Funds	Total Governmental Funds
Revenues				
Property taxes	$ 25,807,664	$ -	$ -	$ 25,807,664
Sales tax - Measure Y	-	15,828,872	-	15,828,872
Fines, fees and services	84,546	189	-	84,735
Investment income	202,136	351,303	86,869	640,308
Intergovernmental	394,914	185,469	-	580,383
Grants and contributions	12,274	802	186,530	199,606
Other	76,914	50,090	-	127,004
Total revenues	26,578,448	16,416,725	273,399	43,268,572
Expenditures				
Current:				
Salaries and benefits	16,941,703	8,910,590	-	25,852,293
Operating	7,208,197	4,150,309	144,582	11,503,088
Capital outlay	199,318	1,681,262	-	1,880,580
Debt service:				
Principal	524,894	95,018	-	619,912
Interest	102,695	12,417	-	115,112
Total expenditures	24,976,807	14,849,596	144,582	39,970,985
Excess of revenues over expenditures	1,601,641	1,567,129	128,817	3,297,587
Other financing sources				
Inception of lease	10,139	1,127	-	11,266
Transfers in	2,121	19,087	-	21,208
Transfers out	-	-	(21,208)	(21,208)
Sale of capital assets	7,320	-	-	7,320
Net change in fund balances	1,621,221	1,587,343	107,609	3,316,173
Fund balances at June 30, 2022	16,084,154	21,208,778	4,691,749	41,984,681
Fund balances at June 30, 2023	$ 17,705,375	$ 22,796,121	$ 4,799,358	$ 45,300,854

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2023

Net change in fund balances - total governmental funds:	$	3,316,173
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlay ($1,880,580) exceeded depreciation expense ($928,795) and amortization ($676,185) in the current period.		275,600
Certain pension expenses in the statement of activities do not require the the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		773,023
The change in compensated absences reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.		(47,047)
The inception of capital leases provides current financial resources to governmental funds. Payment of capital lease principal is an expenditure in the governmental funds. Neither has any effect on net position.		(11,266)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds and reduces long-term liabilities in the statement of net position.		620,597
Certain health reimbursement account expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as an expenditure in governmental funds.		(76,043)
The change in the net obligation for post-employment benefits in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.		1,282,533
Increase in net position of governmental activities	$	6,133,570

The notes to the basic financial statements include a summary of significant accounting policies and other notes considered essential to fully disclose and fairly present the transactions and financial position of the Sonoma County Library as follows:

Note A. Defining the Financial Reporting Entity

The Sonoma County Library (the "Library") is a joint powers agency established between the County of Sonoma (the "County") and cities in 1975 to provide library services on an equitable basis throughout the County. On August 1, 2014, the joint powers agreement (JPA) of the Library was amended. This amendment created a separate government entity, with additional representation on the governing board, and ceased the Library's treatment as a component unit of the County.

A full copy of the amended and restated JPA can be found on the Library's website at www.sonomalibrary.org.

The Library is now governed by an eleven-member Library Commission (the "Commission") which includes one appointee of the Sonoma County Board of Supervisors, one appointee each from the cities of Cotati, Cloverdale, Healdsburg, Petaluma, Rohnert Park, Santa Rosa, Sebastopol, and Sonoma, one appointee from the town of Windsor and one appointee jointly elected by the city of Santa Rosa and the Sonoma County Board of Supervisors.

Note B. Summary of Significant Accounting Policies

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information on the Library as a whole. The effect of inter-fund activity has been removed from these statements. The Library does not have any activities that are considered business-type activities.

The statement of net position presents the financial condition of the government activities of the Library at year end. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Program expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

During the year, the Library segregates transactions in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at a more detailed level. The focus of governmental fund financial statements is on major funds. The major funds are presented in separate columns. Non-major funds are aggregated and presented in a single column.

Note B. **Summary of Significant Accounting Policies** (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the Library are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Revenues from grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Taxes other than property taxes, interest, certain state and federal grants, and charges for services are accrued when their receipt occurs within 90 days of the end of the accounting period. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financed purchases are reported as other financing sources.

The Library reports the following major governmental funds:

General Fund

The General Fund is the principal fund of the Library. General tax revenues and other sources of revenue used to finance the fundamental operations of the Library are accounted for in this fund. General operating expenditures are paid from this fund.

Measure Y Fund

The Measure Y fund is a major fund that was established after the Sonoma County Library Sales Tax Initiative was passed in November 2016. The 1/8 cent sales tax began on April 1, 2017, and funds are exclusively used to supplement existing funding for Library operations, maintaining and enhancing Library hours and programs, acquisitions, and construction and modernization.

Other special revenue funds of the Library are non-major funds. Other special revenue funds are used to account for specific revenues that are assigned to expenditures for particular purposes.

Note B. **Summary of Significant Accounting Policies** (continued)

Encumbrances

Encumbrance accounting is employed as needed. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation, is employed in the governmental fund types. Encumbrances outstanding at year end are reported as reservations of the fund balances and do not constitute expenditures or liabilities because the commitments will be honored during subsequent years.

Cash and Investments

The Library's operating cash is pooled with the Sonoma County Treasurer, except for other cash, which consists of petty cash and a payroll clearing account. Restricted cash balances represent amounts held by outside parties for the Library's flexible spending account and health reimbursement accounts. The County Treasurer also acts as disbursing agent for the Library.

Investments are stated at fair value in the statement of net position and the corresponding changes in fair value of investments are recognized in the year in which the change occurred. The fair value of investments is determined quarterly. Realized and unrealized gains or losses and interest earned on pooled investments are allocated quarterly to the appropriate funds based on their respective average daily balance for that quarter.

Capital Assets

Capital assets, which include land, buildings, building improvements, vehicles, furnishings and equipment, and right-to-use lease assets are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at the estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Capital assets of the Library, except land, are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Building improvements	20-30 years
Vehicles	5-10 years
Furnishings and equipment	5 years
Right-to-use lease assets	Shorter of the lease term or the useful life of the underlying asset

Note B. **Summary of Significant Accounting Policies** (continued)

Capital Assets (continued)

The Library's collection of library books is not capitalized. This collection is unencumbered, held for public exhibition and education, protected, cared for and preserved, and subject to the Library's policy that requires proceeds from the sale of these items to be used to acquire other collection items.

Leases

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term; unless the lease is a short-term lease, below the lease capitalization threshold of $5,000, or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

The Library uses estimates and judgements to determine 1) the discount rate it uses to discount the expected lease payments and lease receipts to present value, and 2) the lease term. The Library uses the interest rate identified in the contract as the discount rate. If no interest rate is specified, the Library uses its estimated incremental borrowing rate as the discount rate. The lease term includes the noncancelable period of the lease and extensions the Library is reasonably certain to exercise. The Library monitors changes in circumstances that are expected to significantly affect the amount of a lease liability or receivable that may require a remeasurement of its lease.

Note B. **Summary of Significant Accounting Policies** (continued)

Subscription-Based Information Technology Arrangements

For the year ended June 30, 2023, the Library implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The primary objective of this Statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. The implementation of GASB Statement No. 96 did not have an effect on the Library's beginning fund balance.

Compensated Absences

Library employees are entitled to certain compensated absences based on their length of employment. Employees may accumulate earned vacation benefits that can be accrued up to a maximum of 280 hours per employee based on years of service. Accumulation of vacation time in excess of this limit may be granted upon recommendation of the Director with confirmation by the Commission. Terminated employees are entitled to full payment of unused vacation benefits.

Employees may also accumulate unused sick leave benefits without limit. Accumulated sick leave benefits may convert to compensatory time for up to a maximum of four days determined by a sliding scale based on actual sick days used during the previous year. Employees separated from Library service, for reasons other than disability, may receive payment of 25% of the monetary equivalent of their accumulated unused sick leave benefit, not to exceed 500 hours. Employees separated from Library service due to disability may receive full payment for all unused sick leave. Employees retiring from the Library may choose to receive payment as described above or to have unused sick leave converted to additional service credit as provided by the Public Employees' Retirement System ("PERS").

A liability is calculated for all of the costs of compensated absences based upon benefits earned by employees in the current period for which there is a probability of payment at termination. The salary and related payroll costs used to calculate the liability are those in effect as of the end of the fiscal year. Because vacation and sick leave balances do not require the use of current financial resources, no liability is recorded within the governmental funds. However, this liability is reflected in the government-wide statement of net position.

Compensated absences are generally liquidated by the General Fund and the Measure Y Fund.

Note B. **Summary of Significant Accounting Policies** (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expenses) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenues) until that time.

Elements of the Library's employee retirement plan and other postemployment benefit plan qualify for reporting in this category. Refer to Notes F and G for additional information on deferred inflows and outflows of resources.

Net Position – Government-wide Financial Statements

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. "*Net position invested in capital assets"* consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. "*Restricted net position*" is reported as restricted if the use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. "*Unrestricted net position*" consists of all other net position that does not meet the definition of the above two components and is available for general use by the Library.

Fund Balances – Governmental Funds

Governmental funds report fund balances in specifically defined classifications in accordance with the criteria established by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Library classifies fund balances into the following five categories:

Nonspendable fund balance – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Note B. **Summary of Significant Accounting Policies** (continued)

Fund Balances – Governmental Funds (continued)

Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the Library's highest level of decision-making authority (the Library Commission) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned fund balance – amounts that are constrained by the Library's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.

Unassigned fund balance – the residual classification for the Library's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Library Commission establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

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

Fund Balance Policy

The Library believes that sound financial management principles require that sufficient funds be retained by the Library to provide a stable financial base at all times. To retain this stable financial base, the Library needs to maintain unrestricted fund balance in its General Fund sufficient to fund cash flows of the Library and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the Library's fund balance policy is to maintain a prudent level of financial resources to protect against temporary revenue shortfalls or unpredicted one-time expenditures.

Note B. **Summary of Significant Accounting Policies** (continued)

Fund Balance Policy (continued)

The Library's committed fund balances are comprised of the following:

Capital Improvement and Replacement – The Library has adopted a policy for the creation of reserves to pay for capital improvement projects, information technology replacement, and vehicle replacement. Capital improvement reserves are based on the Capital Improvement Program and replacement reserves are based on replacement schedules.

Stabilization Fund – The Library has adopted a policy and established a committed fund balance known as the stabilization fund. The stabilization fund is to be no less than 15.0% of the Library's annual operating expenditures in the current year's budget. The purpose of the Library's stabilization fund is (1) to insulate the Library's program and service levels from large unanticipated one-time expenditures due to unforeseen circumstances and (2) to temporarily insulate the Library's programs and service levels from slower revenue growth that typically occurs during an economic recession. The allowable uses of the stabilization fund are as follows:

> *Emergency reserves* – Half of the stabilization fund, or 7.5% of the Library's approved operating expenditures for the current fiscal year, will be used in the case of unforeseen emergencies, including natural and man-made disasters, unanticipated major repairs or replacement of capital assets, or other cases in which the Library is faced with funding a large, unanticipated expenditure. Emergency reserves must begin to be restored during the next budgeted year, and the Library Director shall present a plan for the restoration within three months of its use.
>
> *Counter-cyclical reserves* – The balance of the stabilization fund, or 7.5% of the Library's approved operating expenditures for the current fiscal year, may be used if the property tax projections fall below the level of the previous year. The reserves may only be used to maintain current expenditure levels and provide bridge financing during the first 18 months of an economic downturn. Counter-cyclical reserves must begin to be restored within 24 months of their first use, and the Library Director shall present a plan for restoration within 18 months of its use.

Major Maintenance – The Library has adopted a policy for the creation of reserves to optimize asset repair and replacement and prudently manage substantial investments in capital assets and projects. The major maintenance reserve is for routine major repairs of $5,000 or greater such as repainting and carpeting, etc. This reserve does not include refresh projects that are more complex and are captured under the Capital Improvement Program.

Note B. **Summary of Significant Accounting Policies** (continued)

Interfund Transactions

The following are descriptions of the basic types of interfund transactions and the related accounting policies:

Quasi-external (charges for current services) – Transactions for services rendered or facilities provided. These transactions are recorded as revenue in the receiving fund and as expenditures in the disbursing fund.

Non-operating transfers – Transactions to allocate resources from one fund to another fund not contingent on the incurrence of specific expenditures in the receiving fund. These transactions are recorded as transfers in and out in the same accounting period.

Property Taxes

Property taxes, including tax rates, are regulated by the State and are administered locally by the County. The County is responsible for assessing, collecting and distributing property taxes in accordance with state law. The County is also responsible for the allocation of property taxes to the Library. Article XIII of the California Constitution (more commonly known as Proposition 13) limits ad valorem taxes on real property to 1% of value plus taxes necessary to pay indebtedness approved by voters prior to July 1, 1978. The Article also established the 1975/76 assessed valuation as the basis and limits annual increases to the cost of living, not to exceed 2%, for each year thereafter. Property may also be reassessed to full market value after a sale, transfer of ownership, or completion of new construction. The State is prohibited under the Article from imposing new ad valorem, sales, or transactions taxes on real property. Local government may impose special taxes (except on real property) with the approval of two-thirds of the qualified electors.

The County has adopted the Teeter Alternative Method of Property Tax Allocation known as the “Teeter Plan.” The State Revenue and Taxation Code allows counties to distribute secured real property and supplemental property taxes on an accrual basis resulting in full payment to the Library each fiscal year. Any subsequent delinquent payments and related penalties and interest will revert to the County.

Note B. **Summary of Significant Accounting Policies** (continued)

Property Taxes (continued)

Property taxes are recognized as revenue when they are levied for because they are considered to be both measurable and available. Liens on real property are established January 1 for the ensuing fiscal year. The property tax is levied as of July 1 on all taxable property located in the County. Secured property taxes are due in two equal installments on November 1 and February 1, and are delinquent after December 10 and April 10, respectively. Additionally, supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction. Property tax collection and valuation information is also disclosed in the County of Sonoma Annual Comprehensive Financial Report.

Sales Tax Revenue and Receivable

Sales tax receivable represents the sales tax amount allocated to the Library through Measure Y as discussed in Note M, but uncollected at year end. Due to the nature of the sales tax receivable, management does not consider any portion uncollectible.

Sales tax revenues are presented net of administrative assessments by the State Board of Equalization in the amount of $557,790 during the fiscal year ended June 30, 2023.

Estimates

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

Note C. **Stewardship, Compliance and Accountability**

Budget and Budgetary Accounting

The Library Commission approves an annual appropriated budget for the General Fund to be effective July 1 for the ensuing fiscal year. The Library Director is authorized to transfer budgeted amounts within any character (group of accounts); however, any revisions that alter the total appropriations of any fund must be approved by the Library Commission. Annual appropriations that have not been encumbered lapse at year end. Budgetary data is presented as required supplementary information.

Note D. Cash and Investments

The Library follows the practice of pooling substantially all cash and investments of all funds with the Sonoma County Treasurer except for petty cash, a payroll clearing account, and restricted cash balances related to the flexible spending account and health reimbursement account programs.

Investment Guidelines and Authorized Investments

The Library's pooled cash and investments are invested pursuant to investment policy guidelines established by the Sonoma County Treasurer and approved by the Sonoma County Board of Supervisors.

The objectives of the policy are, in order of priority: safety of capital, liquidity, and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

Permitted investments include the following:

- U.S. Treasury and Federal agency securities
- Bonds issued by local agencies
- Registered State warrants and municipal notes
- Negotiable certificates of deposit
- Bankers' acceptances
- Commercial paper
- Medium-term corporate notes
- Local Agency Investment Fund (State Pool) demand deposits
- Repurchase agreements
- Reverse repurchase agreements
- Shares of a mutual fund average life
- Mutual funds and money market mutual funds
- Collateralized mortgage obligations
- Collateralized time deposits
- Joint powers authority pools
- Investment Trust of California (Caltrust)

A copy of the County Investment Policy is available upon request from the Treasurer at 585 Fiscal Drive, Room 100, Santa Rosa, California 95403.

Note D. **Cash and Investments** (continued)

Investment in County Treasurer's Pool

Cash and investments as of June 30, 2023 are classified in the accompanying statement of net position as follows:

Investment in the Sonoma County Treasury Pool	$ 42,738,953
Nonpooled cash and investments:	
Cash on hand	1,050
Unrestricted	291,543
Restricted for flexible savings accounts	22,268
Restricted for health reimbursement accounts	659,897
Total	$ 43,713,711

As of June 30, 2023, the Library's investments in the Treasury Pool managed by the County Treasurer had a weighted average days to maturity of 539 days. The credit rating and other information regarding the Treasury Pool for the fiscal year ended June 30, 2023, is disclosed in the County of Sonoma's Annual Comprehensive Financial Report.

The net increase (decrease) in fair value of investments by fund included investment income for the year ended June 30, 2023, is as follows:

General Fund	$	(76,784)
Measure Y		1,571
Other Funds		(1,038)
Total	$	(76,251)

This amount considers all changes in fair value (including purchase and sales) that occurred during the year. The net unrealized loss on investments held at year end amounted to $1,487,260 at June 30, 2023. The realized gains and losses from securities matured during the current fiscal year are recognized through the net change in the fair value of the investments held in the Treasury Pool.

Note D. **Cash and Investments** (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest 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. As of June 30, 2023, the Library had no investments other than the cash and investments pooled with the County Treasury.

Custodial Credit Risk

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 custodial credit risk for investments is the risk that, in the event of the failure of the counterparty 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 County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments. 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. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the state or local governmental unit. California law also allows financial institutions to secure the Library's deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. The California Government Code also limits the total of all securities lending transactions to 20% of the fair value of the investment portfolio.

The Library maintains other cash in a financial institution insured up to $250,000 by the Federal Deposit Insurance Corporation ("FDIC"). At times, the cash balance may exceed the FDIC insurance coverage amount. Amounts in excess of the FDIC insurance coverage are collateralized.

Note E. Capital Assets

Capital asset activity for the governmental activities for the year ended June 30, 2023, was as follows:

	July 1, 2022	Increase	Decrease	Transfers & Reclassification	June 30, 2023
Capital assets, not being depreciated:					
Land	$ 207,000	$ -	$ -	$ -	$ 207,000
Construction in progress	1,457,069	1,194,021	-	(812,641)	1,838,449
Total capital assets not being depreciated/amortized:	1,664,069	1,194,021	-	(812,641)	2,045,449
Capital assets being depreciated/amortized:					
Buildings and improvements	7,102,780	136,732	-	657,905	7,897,417
Furnishings and equipment	5,300,956	468,922	(390,483)	154,736	5,534,131
Vehicles	644,915	69,641	(18,010)	-	696,546
Right-to-use SBITA assets	-	14,481	-	-	14,481
Right-to-use leased equipment	243,297	-	-	-	243,297
Right-to-use leased buildings	7,206,017	11,266	-	-	7,217,283
Total capital assets being depreciated/ amortized:	20,497,965	701,042	(408,493)	812,641	21,603,155
Less: accumulated depreciation/amortization for:					
Buildings and improvements	(2,098,321)	(286,187)	-	-	(2,384,508)
Furnishings and equipment	(3,319,421)	(583,445)	390,483	-	(3,512,383)
Vehicles	(174,572)	(59,163)	18,010	-	(215,725)
Right-to-use SBITA assets	-	(5,171)	-	-	(5,171)
Right-to-use leased equipment	(48,659)	(48,659)	-	-	(97,318)
Right-to-use leased buildings	(616,720)	(622,355)	-	-	(1,239,075)
Total accumulated depreciation/ amortization	(6,257,693)	(1,604,980)	408,493	-	(7,454,180)
Total capital assets being depreciated/amortized, net:	14,240,272	(903,938)	-	812,641	14,148,975
Total capital assets, net	$ 15,904,341	$ 290,083	$ -	$ -	$ 16,194,424

Depreciation and amortization expense relating to governmental activities amounted to $1,604,980 for the year ended June 30, 2023. Furnishings and equipment was reduced by $390,483 due to disposals and vehicles were reduced by $18,010 by the sale of a vehicle.

Note F. Defined Benefit Pension Plan

Plan Description

The Library contributes to the California PERS ("CalPERS"), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and county ordinance. Copies of CalPERS' annual financial report may be obtained from its executive office: 400 Q Street, Sacramento, California 95814.

In September 2012, Governor Brown signed the Public Employer Pension Reform Act of 2013 ("PEPRA"). PEPRA went into effect on January 1, 2013. The impact of PEPRA on the Library's retirement benefits is that all new employees are mandated into a new tier of CalPERS retirement benefits titled 2.0% at age 62 (PEPRA). As of the June 30, 2022 measurement date, there were 73 covered employees under the 2.0% at 55 (Classic) plan and 145 covered employees under the 2.0% at 62 (PEPRA) plan.

Funding Policy

Classic participants are required to contribute 7.00% of their annual covered salary. PEPRA plan participants are required to contribute 8.75% of their annual covered salary. The Library is also required to contribute at an actuarially determined rate. The rate for the fiscal year ended June 30, 2023, was 10.51% of the annual covered payroll and was established by CalPERS in connection with the June 30, 2021, actuarial study. The contribution requirements of plan members and the Library are established and may be amended by CalPERS.

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the Library reported $13,963,236 for its net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021.

For the fiscal year ended June 30, 2023, the Library recognized pension expense of $2,384,966 in the government-wide financial statements. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits.

Note F. Defined Benefit Pension Plan (continued)

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At June 30, 2023, the Library reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 415,249	$ 746,749
Changes in assumptions	550,543	-
Net difference between projected and actual earnings on retirement plan investments	3,456,849	-
Contributions subsequent to the measurement date	3,128,442	-
	$ 7,551,083	$ 746,749

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

The $3,128,442 of deferred outflows of resources related to contributions made subsequent to the measurement date as of June 30, 2023, will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2024	$ 735,493
2025	580,571
2026	249,749
2027	2,110,079
	$ 3,675,892

Note F. Defined Benefit Pension Plan (continued)

Actuarial Assumptions

The total pension liability as of the June 30, 2023, reporting date was determined based on the following actuarial assumptions:

Reporting date	June 30, 2023
Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation	2.50%
Projected payroll growth	2.75%
Investment rate of return	7.00%

Sensitivity of the Library's Net Pension Liability to Changes in the Discount Rate

The discount rate used to measure the net pension liability as of the June 30, 2022 measurement date was 6.90%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates.

The following table presents the Library's share of the net pension liability calculated as of June 30, 2022, the measurement date, using a discount rate that is 1-percentage point lower (5.90%) or 1-percentage point higher (7.90%) than the current rate:

	1% Decrease 5.90%	Discount Rate 6.90%	1% Increase 7.90%
Plan's Net Pension Liability	$ 23,687,066	$ 13,963,236	$ 5,821,084

Note G. Other Postemployment Benefits

In addition to the pension benefits described in Note F, the Library provides other postemployment benefits ("OPEB") for retired employees through the California Employers' Retirement Benefit Trust fund.

Plan Description

The Library, through an agent multiple-employer plan, provides health insurance benefits to all career employees who have retired as of July 1, 1983, and thereafter at the same level of benefits as those being provided for current career employees and in accordance with the schedule of payments for the same.

Note G. Other Postemployment Benefits (continued)

Benefits Provided

The Library contributes toward post-retirement benefits for employees who retire under CalPERS and choose medical coverage under plans offered to Library employees. The Library pays a portion of the monthly medical premiums, up to a maximum of 80%, 82%, or 84%, depending on the employee's employment tier while working. These percentages are prorated if the retiring employee worked less than full-time. The retired employee is responsible for paying the balance of the premiums. This benefit is provided by Library Commission approval of the employee labor union Memorandum of Understanding.

Benefits are paid for the lifetime of the retired employee, as long as the retiree remains covered under employer-sponsored health plans and pays their share of the monthly premiums. For employees hired before July 1, 1997, a spouse or domestic partner is also covered. For employees hired between July 1, 1997 and November 5, 2013, a spouse or domestic partner is covered if the retiree worked at least 20 years. For all other retirees, dependents may be covered if the retiree pays the premiums. Benefits for employees hired after November 5, 2013 cease at age 65.

The Library also reimburses covered retirees for Medicare Part B premiums. Retired employees may be covered under the Library's dental and vision plans, but must pay the entire premium for those coverages.

Employees Covered by Benefit Terms

As of the June 30, 2022 measurement date, the following employees were covered by the benefit terms:

Active employees	211
Retirees and beneficiaries currently receiving benefits	103
Inactive employees entitled to but not yet receiving benefits	57
Totals	371

Note G. Other Postemployment Benefits (continued)

Contributions

The contribution requirements of OPEB plan members and the Library are established and may be amended by agreement of the Library Commission and employee labor union. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to fund benefits as determined annually by the Library Commission. For the year ended June 30, 2023, the Library contributed $2,241,527, which includes the current pay-as-you-go portion of the current premium, plus an additional $1,406,128. Total contributions during the fiscal year ended June 30, 2023, represented 13.5% of covered payroll. OPEB plan members receiving benefits are currently not required to contribute.

Net OPEB Liability

The Library's net OPEB liability was measured as of July 1, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuation as of June 30, 2021.

Actuarial Assumptions

The total OPEB liability at June 30, 2023, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%
Investment rate of return	5.25%

The non-medicare medical trends grade from 6.5% in 2023 down to 3.75% in 2076. The Medicare (non-Kaiser) medical trends grade from 5.65% in 2023 down to 3.75% in 2076. The Medicare (Kaiser) medical trends grade from 4.6% in 2023 down to 3.75% in 2076. Mortality rates were based on the CalPERS 1997-2015 experience study.

Note G. Other Postemployment Benefits (continued)

Actuarial Assumptions (continued)

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for the June 30, 2022 measurement date is summarized in the following table:

Asset Class	Target Allocation	Expected Rate of Return
Global equity	23%	4.56%
Fixed income	51%	1.56%
Treasury securities	9%	(0.08)%
Real estate trusts	14%	4.06%
Commodities	3%	1.22%
Total	100%	

Discount Rate

The discount rate used to measure the total OPEB liability was 5.25%. The projection of cash flows used to determine the discount rate assumed that Library contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note G. Other Postemployment Benefits (continued)

Changes in the Net OPEB Liability for the Fiscal Year Ended June 30, 2023

	Increase (Decrease)		
	Total OPEB Liability {a}	Plan Fiduciary Net Position {b}	Net OPEB Liability {a} - {b}
Balances as of June 30, 2022	$ 17,084,261	$ 8,336,284	$ 8,747,977
Changes for the year:			
Service cost	686,501	-	686,501
Interest	825,666	-	825,666
Difference between actual and expected experience	-	-	-
Changes of assumptions	(1,031,232)	-	(1,031,232)
Employer contributions	-	1,532,779	(1,532,779)
Net investment income	-	(896,525)	896,525
Benefit payments	(776,626)	(776,626)	-
Administrative expense	-	(8,269)	8,269
Net changes	(295,691)	(148,641)	(147,050)
Balances at June 30, 2023	$ 16,788,570	$ 8,187,643	$ 8,600,927

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Library, as well as what the Library's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25%) or 1-percentage-point higher (6.25%) than the current discount rate:

	1% Decrease 4.25%	Current Discount Rate 5.25%	1% Increase 6.25%
Net OPEB Liability	$ 10,767,546	$ 8,600,927	$ 6,804,578

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the Library, as well as what the Library's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Current Trend	1% Increase
Net OPEB Liability	$ 6,487,175	$ 8,600,927	$ 11,200,158

Note G. Other Postemployment Benefits (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2023, the Library recognized OPEB expense of $958,994. At June 30, 2023, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	$ 94,208	$ 71,847
Changes in assumptions	87,372	1,767,993
Net difference between projected and actual earnings on OPEB plan investments	626,276	-
Contributions subsequent to the measurement date	2,241,527	-
Total	$ 3,049,383	$ 1,839,840

The $2,241,527 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense (reduction of expense) as follows:

Year Ending June 30,	Amount
2024	$ (165,986)
2025	(125,951)
2026	(114,095)
2027	548
2028	(257,940)
Thereafter	(368,560)
	$ (1,031,984)

Note G. Other Postemployment Benefits (continued)

Health Reimbursement Account

For employees hired or rehired after November 6, 2013, the Library recognizes a liability for future qualified post-employment healthcare benefits. Employees hired or rehired after November 6, 2013, are eligible for this benefit. Eligibility is based upon completion of two full years of consecutive regular service with the Library with scheduled hours at least 50% of full-time. Employees earn a prorated share of the benefit up to $1,200 per year. After an employee has worked the two full years of service an initial accrual is made and there are no further service requirements. Upon retirement from the Library and application for service retirement benefits or disability retirement benefits from CalPERS, participants ages 55 or older may submit claims for reimbursement for eligible expenses.

Note H. Deferred Compensation Plans

The Library has established two deferred compensation plans (the "Plans") created in accordance with California Government Code Section 53212 and Internal Revenue Code Section 457. The Plans permit employees to defer a portion of their salary until future years. Additionally, in lieu of Social Security and in accordance with FICA requirements, the Library uses these Plans to provide a deferred compensation plan for part-time, seasonal and temporary employees who are not eligible for CalPERS. The contribution rates are 4.5% for the employer and 3% for the employee.

The Plans' assets are held by CalPERS and Nationwide Insurance for the exclusive benefit of the employees and their beneficiaries and, therefore, are not recorded as assets of the Library. Each employee directs the investment of the assets in his or her account.

Note I. Leases

During the fiscal year ended June 30, 2023, the Library recorded a lease liability of $11,266 related to the Forestville building lease. As of June 30, 2023, the total value of the Library's lease liability was $6,359,509. Minimum monthly principal and interest payments are $55,089 per month.

Lease	Lease Type	End Date	Liability at 6/30/2022	Liability at 6/30/2023	Monthly Payments
Library Headquarters	Buildings	9/30/2033	$ 5,936,471	$ 5,155,187	$ 40,064
Roseland Branch	Buildings	6/30/2031	1,149,224	960,714	9,071
Occidental Branch	Buildings	6/30/2028	120,322	90,456	1,334
Forestville Branch	Buildings	6/30/2024	-	5,762	459
Master Copier Lease	Equipment	6/30/2026	243,297	147,390	4,161
Total			$ 7,449,314	$ 6,359,509	$ 55,089

At June 30, 2023, the combined value of the right-to-use building assets was $7,217,283, with accumulated amortization of $1,239,075. The value of the right-to-use equipment asset was $243,297, with accumulated amortization of $97,318.

Lease	Value of Right-to-Use Asset	Accumulated Amortization June 30,2023
Building Leases:		
Library Headquarters	$ 5,936,471	$ 969,219
Roseland Branch	1,149,224	229,845
Occidental Branch	120,322	34,378
Forestville Branch	11,266	5,633
Subtotal Building Leases	7,217,283	1,239,075
Equipment Leases:		
Master Copier Lease	243,297	97,318
Total	$ 7,460,580	$ 1,336,393

Note I. **Leases** (continued)

The future principal and interest payments related to these leases are as follows:

Year ending June 30,	Principal	Interest	Total
2024	$ 588,559	$ 104,547	$ 693,106
2025	611,001	94,576	705,577
2026	640,250	84,175	724,425
2027	620,399	73,510	693,909
2028	651,310	62,609	713,919
2029 - 2033	3,106,508	145,214	3,251,722
2034	141,482	415	141,897
Total	$ 6,359,509	$ 565,046	$ 6,924,555

Note J. **Long-Term Obligations**

Financed purchases

	Maturity Date	Interest Rate	Authorized & Issued	Outstanding June 30, 2023
Library equipment	2025	0.50%	$ 225,700	$ 108,862
Total financed purchases				$ 108,862

In November 2020 the Library entered into an agreement to finance the acquisition of equipment. The financed purchase liability was recorded at the present value of future minimum payments at the inception of the agreement. During the fiscal year ended June 30, 2023, the financed purchase liability was reduced by $54,025 due to scheduled payments. The financed purchase matures during the fiscal year ending June 30, 2025.

Changes in Long-Term Obligations

A summary of changes in long-term obligations for the governmental activities is as follows:

	Balance July 1, 2022	Increase	Decrease	Balance June 30, 2023	Due Within One Year
Compensated absences	$ 1,699,918	$ 47,048	$ -	$ 1,746,966	$ -
Health reimbursement account liability	510,547	81,666	(5,623)	586,590	-
Financed purchase	162,887	-	(54,025)	108,862	54,295
SBITA liability	-	14,481	(4,779)	9,702	4,802
Lease liability	6,909,351	11,266	(561,108)	6,359,509	588,559
Net pension liability	4,904,656	9,058,580	-	13,963,236	-
Net OPEB liability	8,747,977	-	(147,050)	8,600,927	-
Total	$ 22,935,336	$ 9,213,041	$ (772,585)	$ 31,375,792	$ 647,656

Note J. Long-Term Obligations (continued)

Debt Service Requirements

The annual principal and interest requirements on the outstanding long-term obligations as of June 30, 2023 (excluding compensated absences, health reimbursement account liability, lease liability, net pension liability, and net OPEB liability), are as follows:

Fiscal year ending June 30,	Principal	Interest	Total
2024	$ 54,295	$ 544	$ 54,839
2025	54,567	272	54,839
Total financed purchases	$ 108,862	$ 816	$ 109,678

Note K. Insurance

The Library carries commercial insurance for all significant risks of loss which include public official liability, general liability, property and workers' compensation insurance. The limits of the general liability and automobile coverage are $1,000,000 per occurrence. The limits of the personal property insurance are $25,968,316. Deductibles for these perils range from $1,000-$5,000. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note L. Related Party Transactions

During the year ended June 30, 2023, the Library contracted with the County of Sonoma for services related to maintaining the Library's general ledger, project management, and for access to service yards, accounting services, and fuel. Total expenditures for such services amounted to $432,750 for the fiscal year ended June 30, 2023.

Note M. Measure Y Sales Tax Revenues

The Measure Y Special Revenue Fund was created in November 2016 with the passage of the Sonoma County Library Maintenance, Restoration and Enhancement Act to account for the related sales tax revenues and expenditures of Measure Y. Measure Y is funded by a one-eighth of one percent (0.125%) sales tax in Sonoma County and created a stable funding source to supplement existing funding for Library operations.

According to the Sonoma County Library Maintenance, Restoration and Enhancement Act, sales tax revenue should be used for the following:

- Maintaining and enhancing Library hours and programs
- Reversing the deterioration in services at existing libraries
- Upgrading and maintaining facilities services and collections throughout the incorporated and unincorporated territories of the County

Note N. Future Governmental Accounting Standards

The Governmental Accounting Standards Board has released the following new standards:

Statement No. 100	*Accounting Changes and Error Corrections- an Amendment of GASB Statement No. 6.*	Effective for the fiscal years beginning after June 15, 2023, this statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.
Statement No. 101	*Compensated Absences*	Effective for the fiscal years beginning after December 15, 2023, this statement updates the recognition and measurement guidance for compensated absences. This will be achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

The impact on the basic financial statements of the Library of these pronouncements which have not yet been adopted is unknown at this time.

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance-
Budget and Actual - General Fund

For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
Revenues				
Property taxes	$ 23,467,061	$ 24,715,363	$ 25,807,664	$ 1,092,301
Fines, fees and services	57,500	57,500	84,546	27,046
Investment income	45,000	45,000	202,136	157,136
Intergovernmental	330,716	455,776	394,914	(60,862)
Grants and contributions	35,000	215,000	12,274	(202,726)
Other	-	-	76,914	76,914
Total revenues	23,935,277	25,488,639	26,578,448	1,089,809
Expenditures				
Current:				
Salaries and benefits	17,790,906	17,840,406	16,941,703	898,703
Operating	8,818,440	8,955,417	7,208,197	1,747,220
Capital outlay	673,901	771,715	199,318	572,397
Debt service:				
Principal	-	-	524,894	(524,894)
Interest	-	-	102,695	(102,695)
Total expenditures	27,283,247	27,567,538	24,976,807	2,590,731
(Deficiency) Excess of revenues over expenditures	(3,347,970)	(2,078,899)	1,601,641	3,680,540
Other financing sources				
Inception of lease	-	-	10,139	10,139
Transfers and sales of capital assets	-	2,121	9,441	7,320
Net change in fund balance	$ (3,347,970)	$ (2,076,778)	1,621,221	$ 3,697,999
Fund balance at beginning of year			16,084,154	
Fund balance at end of year			$ 17,705,375	

See accompanying Notes to the Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance-
Budget and Actual - Measure Y Special Revenue Fund

For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
Revenues				
Sales tax - Measure Y	$ 15,500,000	$ 15,500,000	$ 15,828,872	$ 328,872
Fines, fees and services	-	-	189	189
Investment income	80,000	80,000	351,303	271,303
Intergovernmental	-	-	185,469	185,469
Grants and contributions	-	-	802	802
Other	141,688	225,061	50,090	(174,971)
Total revenues	15,721,688	15,805,061	16,416,725	611,664
Expenditures				
Current				
Salaries and benefits	10,379,454	10,384,954	8,910,590	1,474,364
Operating	5,117,129	5,217,446	4,150,309	1,067,137
Capital outlay	6,065,105	6,457,990	1,681,262	4,776,728
Debt service:				
Principal	-	-	95,018	(95,018)
Interest	-	-	12,417	(12,417)
Total expenditures	21,561,688	22,060,390	14,849,596	7,210,794
(Deficiency) excess of revenues over expenditures	(5,840,000)	(6,255,329)	1,567,129	7,822,458
Other financing sources				
Inception of lease	-	-	1,127	(1,127)
Transfers	-	19,087	19,087	-
Net change in fund balance	$ (5,840,000)	$ (6,236,242)	1,587,343	$ 7,821,331
Fund balance at beginning of year			21,208,778	
Fund balance at end of year			$ 22,796,121	

See accompanying Notes to the Required Supplementary Information

Sonoma County Library

Schedule of Library Pension Contributions
Last Ten Fiscal Years*

Reporting date June 30,	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 2,848,788	$ 2,568,370	$ 2,480,920	$ 2,236,524	$ 1,869,703	$ 1,653,431	$ 1,352,442	$ 1,195,632	$ 1,133,492
Contributions in relation to the actuarially determined contribution	(2,848,788)	(2,568,370)	(2,480,920)	(2,236,524)	(1,869,703)	(1,653,431)	(1,352,442)	(1,195,632)	(1,133,492)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 12,991,745	$ 13,357,965	$ 12,194,768	$ 10,607,284	$ 9,946,268	$ 8,244,700	$ 7,818,837	$ 7,758,220	$ 7,748,794
Contributions as a percentage of covered payroll	21.93%	19.23%	20.34%	21.08%	18.80%	20.05%	17.30%	15.41%	14.63%

* The required supplementary information is intended to show information for ten years.
Additional years' information will be displayed as this information becomes available.

Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Fiscal Years*

Measurement period ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:									
Service cost	$ 2,448,944	$ 2,392,412	$ 2,207,253	$ 1,925,858	$ 1,807,635	$ 1,633,193	$ 1,423,654	$ 1,442,797	$ 1,490,945
Interest	5,318,164	5,280,696	5,022,209	4,797,498	4,536,569	4,482,004	4,453,116	4,248,946	4,138,394
Difference between expected and actual experience	(995,665)	517,235	303,164	870,741	(349,394)	(1,445,196)	93,423	(1,492,564)	-
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Changes in assumptions	734,058	-	-	-	(1,639,615)	3,272,906	-	(911,611)	-
Benefit payments including refunds of employee contributions	(4,305,525)	(4,136,093)	(4,312,075)	(3,736,730)	(3,512,652)	(3,387,906)	(3,281,136)	(2,932,286)	(2,743,538)
Net change in total pension liability	**3,199,976**	**4,054,250**	**3,220,551**	**3,857,367**	**842,543**	**4,555,001**	**2,689,057**	**355,282**	**2,885,801**
Total pension liability - beginning	78,264,739	74,210,489	70,989,938	67,132,571	66,290,028	61,735,027	59,045,970	58,690,688	55,804,887
Total pension liability - ending (A)	**$ 81,464,715**	**$ 78,264,739**	**$ 74,210,489**	**$ 70,989,938**	**$ 67,132,571**	**$ 66,290,028**	**$ 61,735,027**	**$ 59,045,970**	**$ 58,690,688**
Plan fiduciary net position:									
Contributions - employer	$ 2,848,788	$ 2,567,496	$ 2,480,920	$ 2,236,524	$ 1,869,703	$ 1,653,431	$ 1,352,442	$ 1,195,632	$ 1,133,492
Contributions - employee	1,147,680	1,026,702	1,006,321	869,064	751,451	659,831	578,623	511,408	527,839
Net investment income	(5,503,848)	13,507,026	2,944,826	3,617,231	4,363,935	5,313,477	277,617	1,134,413	7,419,651
Benefit payments including refunds of employee contributions	(4,305,525)	(4,136,093)	(4,312,075)	(3,736,730)	(3,512,652)	(3,387,906)	(3,281,136)	(2,932,286)	(2,743,538)
Plan to plan resource movement	-	-	-	-	(129)	-	-	3,532	-
Administrative expense	(45,699)	(60,391)	(82,355)	(39,585)	(81,396)	(70,968)	(29,966)	(55,330)	-
Other miscellaneous income/(expense)	-	-	-	129	(154,573)	-	-	-	-
Net change in plan fiduciary net position	(5,858,604)	12,904,740	2,037,637	2,946,633	3,236,339	4,167,865	(1,102,420)	(142,631)	6,337,444
Plan fiduciary net position - beginning	73,360,083	60,455,343	58,417,706	55,471,073	52,234,734	48,066,869	49,169,289	49,311,920	42,974,476
Plan fiduciary net position - ending (B)	**$ 67,501,479**	**$ 73,360,083**	**$ 60,455,343**	**$ 58,417,706**	**$ 55,471,073**	**$ 52,234,734**	**$ 48,066,869**	**$ 49,169,289**	**$ 49,311,920**
Plan net pension liability (A)-(B)	$ 13,963,236	$ 4,904,656	$ 13,755,146	$ 12,572,232	$ 11,661,498	$ 14,055,294	$ 13,668,158	$ 9,876,681	$ 9,378,768
Plan fiduciary net position as a percentage of the total pension liability	**82.86%**	**93.73%**	**81.46%**	**82.29%**	**82.63%**	**78.80%**	**77.86%**	**83.27%**	**84.02%**
Covered payroll	$ 12,991,745	$ 13,357,965	$ 12,194,768	$ 10,607,284	$ 9,946,268	$ 8,244,700	$ 7,818,837	$ 7,758,220	$ 7,748,794
Plan net pension liability as a percentage of covered payroll	**107.48%**	**36.72%**	**112.80%**	**118.52%**	**117.24%**	**170.48%**	**174.81%**	**127.31%**	**121.04%**

* The required supplementary information is intended to show information for ten years.
Additional years' information will be displayed as this information becomes available.

Schedule of Library OPEB Contributions
Last Ten Fiscal Years*

Reporting date June 30,	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 1,314,000	$ 1,448,121	$ 2,898,547	$ 2,869,291	$ 875,288	$ 800,044
Contributions in relation to the actuarially determined contribution	(2,241,527)	(1,448,121)	(2,898,547)	(2,869,291)	(875,288)	(800,044)
Contribution deficiency (excess)	$ (927,527)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 16,658,030	$ 14,980,604	$ 13,063,998	$ 13,781,601	$ 13,957,566	$ 10,583,000
Contributions as a percentage of covered payroll	13.46%	9.67%	22.19%	20.82%	6.27%	7.56%

* The required supplementary information is intended to show information for ten years.
Additional years' information will be displayed as this information becomes available.

Schedule of Changes in Net OPEB Liability
Last Ten Fiscal Years*

Measurement period ended June 30,	2022	2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	$ 686,501	$ 331,018	$ 321,377	$ 327,617	$ 318,075	$ 308,811
Interest	825,666	888,507	862,148	806,614	785,072	765,727
Changes in benefit terms	-	-	-	-	-	-
Difference between actual and expected experience	-	(92,375)	-	148,040	-	-
Changes in assumptions	(1,031,232)	(1,136,674)	-	137,300	-	-
Benefits paid to retirees	(776,626)	(690,678)	(641,275)	(619,291)	(725,288)	(650,044)
Net change in Total OPEB liability	**(295,691)**	**(700,202)**	**542,250**	**800,280**	**377,859**	**424,494**
Total OPEB Liability - beginning	17,084,261	17,784,463	17,242,213	16,441,933	16,064,074	15,639,580
Total OPEB Liability - ending (A)	**$ 16,788,570**	**$ 17,084,261**	**$ 17,784,463**	**$ 17,242,213**	**$ 16,441,933**	**$ 16,064,074**
Plan fiduciary net position:						
Contributions - employer	$ 1,532,779	$ 1,448,121	$ 2,898,547	$ 2,869,291	$ 875,288	$ 800,044
Net investment income	(896,525)	907,597	354,302	277,812	64,629	50,241
Benefits paid to retirees	(776,626)	(690,678)	(641,275)	(619,291)	(725,288)	(650,044)
Administrative expense	(8,269)	(9,803)	(10,181)	(1,551)	(690)	(587)
Net change in plan fiduciary net position	(148,641)	1,655,237	2,601,393	2,526,261	213,939	199,654
Plan fiduciary net position - beginning	8,336,284	6,681,047	4,079,654	1,553,393	1,339,454	1,139,800
Plan fiduciary net position - ending (B)	**$ 8,187,643**	**$ 8,336,284**	**$ 6,681,047**	**$ 4,079,654**	**$ 1,553,393**	**$ 1,339,454**
Net OPEB liability - ending (A)-(B)	$ 8,600,927	$ 8,747,977	$ 11,103,416	$ 13,162,559	$ 14,888,540	$ 14,724,620
Plan fiduciary net position as a percentage of the total OPEB liability	**48.77%**	**48.80%**	**37.57%**	**23.66%**	**9.45%**	**8.34%**
Covered-employee payroll	$ 14,980,604	$ 13,063,998	$ 13,781,601	$ 13,957,566	$ 10,583,000	$ 9,128,000
Net OPEB liability as a percentage of covered-employee payroll	**57.41%**	**66.96%**	**80.57%**	**94.30%**	**140.68%**	**161.31%**

* The required supplementary information is intended to show information for ten years.
Additional years' information will be displayed as this information becomes available.

Note A. **Budgetary Accounting**

Budgetary revenue estimates represent original estimates modified for any authorized adjustment which was contingent upon new or additional revenue sources. Budgetary expenditure amounts represent original appropriations adjusted by budget transfers and authorized appropriation adjustments made during the year. Budgets are adopted on a basis consistent with generally accepted accounting principles.

Note B. **Net Pension Liability and Related Ratios**

a) Benefit Changes

The amounts in the Schedule of Changes in Net Pension Liability and Related Ratios do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2021 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

b) Changes of Assumptions

Effective with the June 30, 2021 valuation date (2022 measurement date), the discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions the Accounting discount rate was 7.15% for measurement dates 2017 through 2021, 7.65% for measurement dates 2015 through 2016, and 7.50% for Measurement date 2014.

Compliance

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

The Library Commission
Sonoma County Library

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sonoma County Library (the Library), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Library’s basic financial statements, and have issued our report thereon dated December 13, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library’s internal control over financial reporting (internal control) as a basis for designing 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 Library’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Library’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Library’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 were not identified.

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* (continued)

Independent Auditor's Report (continued)

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library'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 Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Santa Rosa, CA
December 13, 2023