

PUBLIC ADVISORY REGARDING COVID-19 AND PUBLIC PARTICIPATION

Consistent with Executive Order No. N-29-20 issued by Governor Newsom on March 17, 2020, and the County of Santa Cruz Health Services Agency Shelter In Place Public Health Order dated March 31, 2020, the regular meetings of the:

**LIBRARIES FACILITIES FINANCING AUTHORITY (LFFA) AND
THE LIBRARY JOINT POWERS AUTHORITY (LJPA) BOARD
ON THURSDAY, FEBRUARY 4 AT 9:00 AM**

This meeting will be held via Zoom teleconference ONLY

Board Members and Library Staff Members will be participating remotely via videoconference.

Public Viewing:

The meeting will be broadcast through the Santa Cruz Libraries YouTube channel <https://www.youtube.com/user/SantaCruzPL> which you can access through the Santa Cruz Libraries website by scrolling to the bottom of the page and clicking on the YouTube icon.

Public Participation:

For those wishing to participate via Zoom you can join from a PC, Mac, iPad, iPhone or Android device by entering or clicking on the following URL:

Please click the link below to join the webinar:

<https://zoom.us/j/94507156448>

For those wishing to participate via Zoom using a telephone only, please call:

Or iPhone one-tap:

US: +16699006833,,94507156448# or +12532158782,,94507156448#

Or Telephone:

Dial(for higher quality, dial a number based on your current location):

US: +1 669 900 6833 or +1 253 215 8782 or +1 346 248 7799 or +1 312 626 6799 or +1 929 205 6099 or +1 301 715 8592 or 833 548 0276 (Toll Free) or 833 548 0282 (Toll Free) or 877 853 5247 (Toll Free) or 888 788 0099 (Toll Free)

Slowly enter the Webinar ID: 945 0715 6448

International numbers available: <https://zoom.us/j/94507156448>

The meetings will be recorded and posted for viewing after the meetings on the Santa Cruz Public Libraries website <http://www.santacruzpl.org/>

There are four ways to comment during meetings. All comments must be received prior to the close of public comment on that agenda item:

1. How to comment on agenda items via email before the meeting begins:

Members of the public may provide public comment by sending comments via email to the Library Board Clerk at clerk@santacruzpl.org

- Identify the agenda item number in the subject line of the email.
- Emailed comments should be a maximum of 500 words, which corresponds to approximately 3 minutes of speaking time.
- Each emailed comment will be read aloud for up to three minutes.
- Emails received by clerk@santacruzpl.org outside of the comment period outlined above will not be included in the record.

2. How to comment on agenda items during the meeting and prior to the close of public comment on an item, via the Zoom Q&A feature:

- Type your comment using the Q&A feature found on the Zoom teleconference control bar.
- Identify the agenda item first, then type your comment
- Your comment will be read aloud

3. How to comment aloud on agenda items, during the meeting and prior to the close of public comment on an item, via the Zoom “raise hand” feature:

If you are accessing the meeting using the Zoom app and computer audio:

- Use the “raise hand” icon found on the Zoom teleconference control bar
- The moderator will announce your name or the last 3 digits of your phone number
- Unmute yourself using the microphone icon
- Identify the agenda item
- Introduce yourself using your first and last name.
- You will have three minutes of speaking time.

If you are accessing the Zoom teleconference using telephone audio:

- Press *9 to raise your hand during the comment period for that agenda item.
- The moderator will announce your name or the last 3 digits of your phone number when it is your turn.
- Unmute yourself using *6 – to toggle the mute/unmute.
- Identify the agenda item
- Introduce yourself using your first and last name.
- You will have three minutes of speaking time.

4. How to comment on agenda items, during the meeting and prior to the close of public comment on an item via telephone only, via the Libraries’ telephone information service:

- Call 831-427-7713
- Identify the agenda item
- The representative will type your comment
- Your comment will be read aloud

Chair Jamie Goldstein
Vice Chair Martin Bernal
Board Member Tina Friend
Board Member Carlos Palacios



**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
(LFFA)
REGULAR BOARD MEETING
THURSDAY FEBRUARY 4, 2021**

9:00 A.M.

1. CALL TO ORDER / ROLL CALL

Board Members Jamie Goldstein, Carlos Palacios, Tina Friend and Martin Bernal

2. ADDITIONAL MATERIALS

Additional information submitted after distribution of the agenda packet.

3. ADDITIONS AND DELETIONS TO AGENDA

4. ORAL COMMUNICATION

Any member of the audience may address the Board on any matter either on or off the agenda that is within the Board's jurisdiction. Note, however, that the Board is not able to undertake extended discussion or act on non-agendized items. Such items can be referred to staff for appropriate action which may include placement on a future agenda. If you intend to address a subject that is on the Agenda, please hold your comments regarding that item until it is before the Board, so that we may properly respond to all comments on that subject at the same time. In general, 3 minutes will be permitted per speaker during Oral Communication; A MAXIMUM of 30 MINUTES is set aside for Oral Communications at this time.

5. EXECUTIVE DIRECTOR REPORT

A. Director's Report for February (p.6-7)

6. PROJECT UPDATES AND COMMENTS BY BOARD MEMBERS

7. CONSENT CALENDAR

- A. Consider the December 3, 2020 LFFA Board Meeting Minutes
Staff Recommendation: Approve Board Meeting Minutes for December 3, 2020 (p.8-10)

All items listed in the "Consent Calendar" will be enacted by one motion in the form listed below. There will be no separate discussion on these items prior to the time the Board votes on the action unless members of the public or the Board request specific items to be discussed for separate review. Items pulled for separate discussion will be considered following General Business.

8. GENERAL BUSINESS

- A. Selection of Chair and Vice-Chair for 2021
Staff Recommendation: Elect Chair and Vice-Chair for 2021 (p.11)
- B. Reimbursement Resolution for City of Santa Cruz Phase 3 Funding of Library Facilities
Staff Recommendation: Adopt a resolution indicating that it is your Board's intention to be reimbursed for any City of Santa Cruz pre-issuance expenditures on three Library Facilities projects prior to the issuance of bonds for the Phase 3 Library Funding. If the bonds are not issued, this resolution will have no effect. (p.12-15)
- C. LFFA Basic Financial Statements and Independent Auditor's Report
Staff Recommendation: Accept and file the Basic Financial Statements and Independent Auditor's Report for the fiscal year ended June 30, 2020 and related correspondence (p.16-48)

Other Business items are intended to provide an opportunity for public discussion of each item listed. The following procedure is followed for each Business item: 1) Staff explanation; 2) Board questions; 3) Public comment; 4) Board deliberation; 5) Decision.

9. SCHEDULED UPCOMING MEETINGS

March 4, 2021	Virtual Meeting	Anticipated Upcoming Agenda Items
5:00 pm		Preliminary Budget

10. ADJOURNMENT

Adjourned to a Regular Meeting of the Libraries Facilities Financing Authority (LFFA) to be held on Thursday March 4, 2021 at 5:00 p.m. via Zoom teleconference.

The Santa Cruz City-County Library System does not discriminate against persons with disabilities. Out of consideration for people with chemical sensitivities, we ask that you attend fragrance free. Upon request, the agenda can be provided in a format to accommodate special needs. Additionally, if you wish to attend this public meeting and will require assistance such as an interpreter for American Sign Language, Spanish, or other special equipment please call the Library Administration Office at (831)427-7706 at least five days in advance so that we can arrange for such special assistance, or email library_admin@santacruzpl.org

January 2021

Library Director's Report to the LFFA

Aptos

The Design Committee finished their work. Construction documents are being completed and permitting has begun. Construction will begin in Summer 2021 and the branch should open at the end of 2022.

Boulder Creek

Demo work has been completed. Art work has been removed and rehomed.



Branciforte

The City of Santa Cruz is determining the lowest bidder to award the construction contract. The City should approve a contract in February. The Library will vacate the building in March. The remodeled library should open in early 2022.

Capitola

Capitola is on track for a May Grand Opening. Interior finishes are being completed. Furniture will begin to arrive in February. The Library is expected to have occupancy in April. A grand opening is being planned.



Downtown

A preliminary design group has been meeting weekly with Griffin Structures, the recently hired project management group. They are developing a planning approach for this complicated project and will discuss it at the City Council on January 26.

Felton

County staff continues to finalize closeout documents but will still need to resolve some stormwater and traffic mitigation issues.

Garfield

The City is recommending hiring CRW Industries of Scotts Valley as the construction contractor. The Council will vote on the contract at their meeting on February 24. The Library will empty the facility by February 15. The remodeled library should open in late 2021.

La Selva Beach

The interior finishes are being completed. Furniture is being received. The Library expects to receive access to the branch by February 1. A grand opening event is being planned for March.

Live Oak

Construction documents have been completed. When construction begins, the branch will remain open with a few interruptions. The remodel should be complete in 2021.

Live Oak Annex

A team is completing the design development package. Construction documents and permitting will occupy most of winter. Construction is expected to begin in the summer 2021. The project should be complete by summer of 2022.

Scotts Valley

The roof repair and HVAC installation has been completed. Parking lot improvements have begun. Earthquake retrofits should occur this Spring. The City subcommittee is planning interior improvements with Group 4 Architects.

Chair Jamie Goldstein
Vice Chair Martin Bernal
Board Member Tina Friend
Board Member Carlos Palacios



**SANTA CRUZ PUBLIC LIBRARIES
A CITY-COUNTY SYSTEM**

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
(LFFA)**

Virtual Meeting

**REGULAR MEETING MINUTES
THURSDAY DECEMBER 3, 2020
9:00 A.M.**

1. ROLL CALL

PRESENT: Tina Friend, Carlos Palacios, Jamie Goldstein and Martin Bernal
STAFF: Library Director Susan Nemitz, Assistant Director Eric Howard, Edith Driscoll
Treasurer

2. ADDITIONAL MATERIALS

None

3. ADDITIONS AND DELETIONS TO AGENDA

The Agenda of December 3, 2020 was approved by consensus.

4. ORAL COMMUNICATIONS

NONE

5. EXECUTIVE DIRECTOR REPORT

A. Library Director's Report – December 2020

Library Director Susan Nemitz reported on the recent activities of the libraries.

6. PROJECT UPDATES AND COMMENTS BY BOARD MEMBERS

None

7. CONSENT CALENDAR

RESULT: APPROVED CONSENT CALENDAR

A. Approved Minutes of August 6, 2020
B. Accepted Letter from Brown Armstrong CPAs
C. Accepted and Filed Statements of the CFD No. 2016-1 as of September 30, 2020 [UNANIMOUS]

MOVER: Tina Friend
SECONDER: Carlos Palacios
AYES: Friend, Goldstein, Bernal, Palacios

8. GENERAL BUSINESS

A. 2019-2020 Community Facilities District Reports for the FY ended June 30, 2020. Edith Driscoll presented the report.

A member of the public asked for clarification regarding moneys spent on the Downtown library project. She was directed to the City of Santa Cruz, public records request.

RESULT:

A. Accepted and Filed Statements of the CFD No. 2016-1 as of September 30, 2020 [UNANIMOUS]

MOVER: Tina Friend
SECONDER: Carlos Palacios
AYES: Friend, Goldstein, Bernal, Palacios

B. Proposed Annual Meeting Schedule for 2021

RESULT:

B. Adopted Proposed Annual Meeting Schedule 2021 with the following changes on March 4, June 3 and October 7 to start at 5 pm instead of 6 pm, while the morning meetings start at 9:00 am [UNANIMOUS]

MOVER: Tina Friend

SECONDER: Carlos Palacios

AYES: Friend, Goldstein, Bernal, Palacios

9. ADJOURNMENT

The Libraries Facilities Financing Authority (LFFA) adjourned at 9:17 a.m. to the Regular Meeting on Thursday February 4, 2021 at 9:00 a.m. via Zoom teleconference.

ATTEST: _____
Helga Smith, Clerk of the Board

All documents referred to in these minutes are available in the Santa Cruz Public Libraries – Library Headquarters Office, 117 Union Street, Santa Cruz.

Chair Jamie Goldstein
Vice Chair Martin Bernal
Board Member Tina Friend
Board Member Carlos Palacios



STAFF REPORT

AGENDA: February 4, 2021

TO: Board of Directors

FROM: Susan Nemitz, Library Director

SUBJECT: Annual Election of Board Chair and Board Vice-Chair

RECOMMENDATION

Elect the Calendar year 2021 Board Chair and Vice-Chair as the City of Santa Cruz and the City of Scotts Valley respectively.

BACKGROUND

The LFFA agreement requires that at the first meeting of the new year (January/February) the Board shall elect a Chair and a Vice-Chair. The Chair is the presiding officer and shall sign all contracts of the LFFA unless otherwise provided by a Board resolution.

DISCUSSION

At the LFFA's first meeting in February 2021, the Board needs to establish a new rotation schedule that would set for 2021 the City of Santa Cruz as the Chair and the City of Scotts Valley as the Vice-chair. The rotation for 2021 and the next 4 years is as follows:

YEAR	CHAIR	VICE-CHAIR
2021	City of Santa Cruz	City of Scotts Valley
2022	City of Scotts Valley	County of Santa Cruz
2023	County of Santa Cruz	City of Capitola
2024	City of Capitola	City of Santa Cruz

Report Prepared by: Kira Henifin
Principal Management Analyst

Reviewed and Forwarded by: Susan Nemitz, Library Director

Chair Jamie Goldstein
Vice Chair Martin Bernal
Board Member Tina Friend
Board Member Carlos Palacios



STAFF REPORT

AGENDA: February 4, 2021
DATE: January 19, 2021
TO: Board of Directors
FROM: Libraries Facilities Financing Authority Treasurer-Controller
SUBJECT: Reimbursement Resolution for City of Santa Cruz Phase 3 Funding of Library Facilities

RECOMMENDATION

Adopt a resolution indicating that it is your Board's intention to be reimbursed for any City of Santa Cruz pre-issuance expenditures on three Library Facilities projects prior to the issuance of bonds for the Phase 3 Library Funding. If the bonds are not issued, this resolution will have no effect.

DISCUSSION

The Santa Cruz Libraries Facilities Financing Authority Community Facilities District (CFD), was formed for the purpose of levying a special tax to fund Library Facilities of each of the members. The CFD began levying the special tax in 2016-17. The LFFA Financial Advisor developed a funding template that provided for a combination of tax revenue and special tax bond proceeds sufficient to meet the Library Facilities construction financing needs of each member over time, while raising the bond proceeds as cost efficiently as possible.

The first series of special tax bonds was issued in 2017 and raised \$21.6 million. The second series of special tax bonds was issued in 2020 and raised \$19.3 million. With the exception of some pay-as-you-go projects for Scotts Valley, all members' proposed facilities except the City of Santa Cruz's were funded with the second series.

The City of Santa Cruz will be spending special taxes on three Library Projects on a pay-as-you-go basis prior to the issuance of the final series of special tax bonds (Phase 3 Bonds). A resolution is required at this time indicating that it is your Board's intention to be reimbursed for any pre-issuance expenditures on the three Library Projects prior to the issuance of the Phase 3 Bonds. The reimbursement of qualifying tax-exempt expenditures made prior to the issuance of the Phase 3 Bonds will provide the most efficient use of special taxes and bond proceeds on the three projects going forward. If the Phase 3 Bonds are not issued, this resolution will have no effect.

Prepared by:
Suzanne Harrell
LFFA Financial Advisor

Approved by:
Susan Nemitz
LFFA Executive Director

Attachments: Resolution 2021-001

RESOLUTION NO. 2021-001

**RESOLUTION OF THE BOARD OF THE SANTA CRUZ LIBRARIES FACILITIES
FINANCING AUTHORITY DECLARING INTENTION TO REIMBURSE EXPENDITURES
FROM THE PROCEEDS OF BONDS**

WHEREAS, the Santa Cruz Libraries Facilities Financing Authority (the “Authority”) was formed under an Amended and Restated Joint Exercise of Power Agreement dated as of February 28, 2017 (the “JPA Agreement”), by and among the City of Santa Cruz, the City of Scotts Valley, the City of Capitola and the County of Santa Cruz (collectively, the “Members”); and

WHEREAS, this Board (the “Board”) of the Authority has heretofore undertaken proceedings to form, and declared the necessity to issue bonds (the “Bonds”) on behalf of, the Authority’s Community Facilities District No. 2016-1 (the “District”) under the Mello-Roos Community Facilities Act of 1982, as amended, being Chapter 2.5, Part 1, Division 2, Title 5 of the Government Code of the State of California; and

WHEREAS, the proceeds of the Bonds are to be transferred to one or more of the Authority’s Members for the acquisition and construction of authorized library facilities pursuant to the JPA Agreement and a Joint Community Facilities Agreement entered into as of February 28, 2017, by and among the Authority and the Members; and

WHEREAS, the City of Santa Cruz, which is a Member of the Authority, has determined to construct certain improvements to the Branciforte Branch Library and the Garfield Park Library (the “Projects”); and

WHEREAS, the Authority, on behalf of the District, intends to issue an additional series of the Bonds (the “Third Bond Series”) in the estimated principal amount of \$5 million to finance all or a portion of the Projects, and to use a portion of the proceeds of the Third Bond Series to reimburse the City of Santa Cruz for expenditures made for the Projects prior to the issuance of the Third Bond Series; and

WHEREAS, United States Income Tax Regulations section 1.150-2 provides generally that proceeds of tax-exempt debt are not deemed to be expended when such proceeds are used for reimbursement of expenditures made prior to the date of issuance of such debt unless certain procedures are followed, one of which is a requirement that (with certain exceptions), prior to the payment of any such expenditure, the issuer declares an intention to reimburse such expenditure; and

WHEREAS, the Board wishes at this time to take the necessary actions to declare its official intent to reimburse expenditures on the Projects from the proceeds of the Third Bond Series;

NOW, THEREFORE, IT IS ORDERED, by the Board of the Santa Cruz Libraries Facilities Financing Authority, for and on behalf of its Community Facilities District No. 2016-1, as follows:

1. Issuance of Bonds. The Board hereby confirms its intention to issue the Third Bond Series to finance all or a portion of the Projects.

2. Reimbursement. The Board hereby declares that its Member, the City of Santa Cruz, may (i) pay certain costs of the Projects prior to the date of issuance of the Third Bond Series and, in

such case, (ii) the Board intends to use a portion of the proceeds of the Third Bond Series for reimbursement of expenditures for the Projects that are paid before the date of issuance of the Third Bond Series.

3. Effective Date. This Resolution shall take effect upon its adoption.

Upon motion of Director _____, seconded by Director _____, and on the following roll call vote, to wit:

- AYES:
- NOES:
- ABSENT:
- ABSTAINING:

the foregoing resolution is hereby adopted on _____, 2021.

Board Chair

ATTEST:

Secretary

Chair Jamie Goldstein
Vice Chair Martin Bernal
Board Member Tina Friend
Board Member Carlos Palacios



Staff Report

AGENDA: February 4, 2021
DATE: January 7, 2021
TO: Board of Directors
FROM: LFFA Treasurer-Controller
SUBJECT: LFFA Basic Financial Statements and Independent Auditor's Report

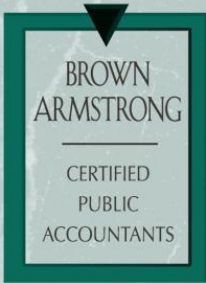
RECOMMENDATION

Accept and file the Basic Financial Statements and Independent Auditor's Report for the fiscal year ended June 30, 2020 and related correspondence.

DISCUSSION

Pursuant to Section 4(d)(i) of the Amended and Restated Joint Exercise of Powers Agreement, the LFFA Treasurer-Controller is required to "prepare or cause to be prepared an independent audit to be made by a certified public accountant, or a public accountant, as required under Sections 6505, 6505.5 and 6505.6 of the Joint Powers Act." On August 6, 2020 the Board approved an amendment to the Contract with the CPA Firm of Brown Armstrong to conduct audits for fiscal years 2019-20, 2020-21 and 2021-22.

The 2019-20 audit was conducted 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 audit opinion is provided on page 2 of the Independent Auditor's Report. An Unqualified Opinion, often referred to as a "clean opinion" was issued reflecting that the report was presented fairly, in all material respects and is free of any misrepresentations.



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REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

BROWN ARMSTRONG

Certified Public Accountants

Board of Directors of
Santa Cruz County Library Facilities Financing Authority
Santa Cruz, California

We have audited the basic financial statements of the governmental activities and general fund information of Santa Cruz County Library Facilities Financing Authority (the Authority) for the year ended June 30, 2020. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 1, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the basic financial statements. As described in Note 1 to the basic financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* during the year ended 2020. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the basic financial statements in the proper period.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events as well as assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the Authority's basic financial statements.

The basic financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 19, 2020.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to the Budgetary Comparison Schedule, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 19, 2020

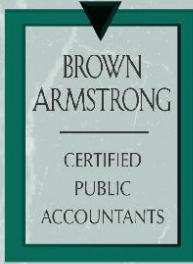
**SANTA CRUZ LIBRARIES
FACILITIES FINANCING AUTHORITY
BASIC FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
JUNE 30, 2020**

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FINANCIAL SECTION



BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Santa Cruz Libraries Facilities Financing Authority
Santa Cruz, California

Report on the Basic Financial Statements

We have audited the accompanying basic financial statements of the governmental activities and general fund information of the Santa Cruz Libraries Facilities Financing Authority (the Authority), as of and for the year ended June 30, 2020, and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

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

REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and general fund information of the Authority as of June 30, 2020, and the respective changes in its financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information


Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 18 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



Bakersfield, California
December 19, 2020

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
ASSETS	
Current Assets	
Cash and investments	\$ 2,010,127
Due from other funds	7,250
Restricted cash and investments	19,889,814
Total Current Assets	21,907,191
LIABILITIES	
Current Liabilities	
Accounts payable	630,027
Due to other governments	648,887
Interest payable	419,144
Bonds payable, due within one year	535,570
Total Current Liabilities	2,233,628
Long-Term Liabilities:	
Bonds payable, due in more than one year	40,745,311
Total Liabilities	42,978,939
NET POSITION	
Unrestricted	(21,071,748)
Total Net Position	\$ (21,071,748)

See accompanying notes to the basic financial statements.

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> Operating Grants and Contributions	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental activities:			
General government	\$ 18,105,434	\$ -	\$ (18,105,434)
Total governmental activities	<u>\$ 18,105,434</u>	<u>\$ -</u>	<u>(18,105,434)</u>
General Revenues:			
			4,426,888
			<u>196,898</u>
		Total general revenues	<u>4,623,786</u>
		Change in net position	(13,481,648)
Net position:			
		Beginning of year	<u>(7,590,100)</u>
		End of year	<u>\$ (21,071,748)</u>

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
BALANCE SHEET
JUNE 30, 2020**

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 2,010,127
Due from other funds	7,250
Restricted cash and investments	<u>19,889,814</u>
 Total Assets	 <u>\$ 21,907,191</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 630,027
Due to other governments	<u>648,887</u>
 Total Liabilities	 <u>1,278,914</u>
 Fund Balance:	
Restricted	19,889,814
Unassigned	<u>738,463</u>
 Total Fund Balance	 <u>20,628,277</u>
 Total Liabilities and Fund Balance	 <u>\$ 21,907,191</u>

See accompanying notes to the basic financial statements.

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2020**

Fund Balance - Total Governmental Fund (Page 5)	\$ 20,628,277
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Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental fund. Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in the governmental fund. All liabilities are reported in the statement of net position.

Balances as of the end of the year are:

Bonds payable	(41,280,881)
Interest payable	(419,144)
	(41,700,025)

Net Position of Governmental Activities (Page 3)	\$ (21,071,748)
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See accompanying notes to the basic financial statements.
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**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>General Fund</u>
REVENUES:	
Tax assessments	\$ 4,426,888
Interest income	<u>196,898</u>
Total Revenues	<u>4,623,786</u>
EXPENDITURES:	
Contributions to other agencies	16,691,327
Principal on long-term debt	430,000
Interest on long-term debt	778,081
General and administrative	<u>5,695</u>
Total Expenditures	<u>17,905,103</u>
REVENUES UNDER EXPENDITURES	<u>(13,281,317)</u>
OTHER FINANCING SOURCES (USES):	
Issuance of debt	18,590,000
Premium on long-term debt	1,252,964
Bond issuance costs	<u>(526,159)</u>
Total other financing sources (uses)	<u>19,316,805</u>
NET CHANGE IN FUND BALANCE	<u>6,035,488</u>
FUND BALANCE:	
Beginning of year	<u>14,592,789</u>
End of year	<u><u>\$ 20,628,277</u></u>

See accompanying notes to the basic financial statements.
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**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balance - Total Governmental Fund (Page 7) \$ 6,035,488

Amounts reported for governmental activities in the statement of activities are different because:

Issuance of debt principal is an other financing source in the governmental fund, but the issuance increases long-term liabilities in the statement of net position.

Bond issuance:		
Bond principal		(18,590,000)
Bond premium		(1,252,964)

Repayment of debt principal was an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the government-wide statement of net position:

2017 Special Tax Bonds		430,000
Amortization of bond premium		52,027
Change in accrued interest payable		<u>(156,199)</u>

Change in Net Position of Governmental Activities (Page 4)		<u><u>\$ (13,481,648)</u></u>
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See accompanying notes to the basic financial statements.
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NOTES TO BASIC FINANCIAL STATEMENTS

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Santa Cruz Libraries Facilities Financing Authority (the Authority) was organized on December 9, 2014, under a Joint Exercise of Powers Agreement and was amended and restated on February 28, 2017, as a result of a joint community facilities agreement. The members of the Authority include the County of Santa Cruz (the County), the City of Santa Cruz, the City of Scotts Valley, and the City of Capitola (collectively, the Members). The Authority was created under the Mello-Roos Community Facilities Act of 1982, in conformity with California Government Code Section 53311 et seq. for the purpose of financing the acquisition, construction, and/or improvement of public library facilities. Certain authorized facilities will be owned or operated by one or more of the Members, or owned by another local agency but controlled, in whole or in part, by a Member.

B. Basis of Presentation

The Authority's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Government-Wide Financial Statements

The Authority's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities.

The Government-Wide Financial Statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the Authority's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Transactions reported as program revenues for the Authority are operating grants and contributions.

Governmental Fund Financial Statements

The Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balance for the major governmental fund. Accompanying schedules are presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the Government-Wide Financial Statements. Governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Governmental Fund Financial Statements (Continued)

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Authority, are sales taxes, interest income, and Member contributions. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Reconciliations of the Governmental Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Major Fund

The Authority reported the following major governmental fund in the accompanying financial statements:

- The General Fund - The General Fund is used for all general revenues of the Authority not specifically levied or collected for other Authority funds and the related expenditures. This is the only fund of the Authority.

C. Cash and Investments

The Authority's cash is pooled with the County's cash and investments to maximize the yield. The County pools its available cash for investment purposes.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosures – An Amendment of GASB Statement No. 3*, certain disclosure requirements, if applicable, for Deposits and Investment Risks are specified in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

D. Restricted Cash and Investments

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Long-Term Liabilities

Long-term debt and other financed obligations are reported as liabilities in the Government-Wide Financial Statements. Bond premiums are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are expensed as incurred.

F. Use of Restricted and Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the Authority's policy is to apply restricted net position first.

G. Net Position

Government-Wide Financial Statements

In the Government-Wide Financial Statements, net position is classified in the following categories:

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets. For the year ended June 30, 2020, the Authority did not have any assets invested in capital assets.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributions, or laws or regulations of other governments. For the year ended June 30, 2020, the Authority did not have a restricted net position.

Unrestricted Net Position – This amount is all net position that is not restricted or invested in capital assets. For the year ended June 30, 2020, the Authority had an unrestricted net position of negative \$21,071,748.

H. Fund Balance

Fund Financial Statements – The Authority has adopted the provisions of GASB Statement No. 54, *Fund Balance and Governmental Fund Type Definitions*. GASB Statement No. 54 establishes Fund Balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Governmental Fund financial statements conform to this new classification. Fund balance consists of Nonspendable, Restricted, Committed, Assigned, and Unassigned amounts as described below:

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. The Authority did not have any nonspendable fund balance as of June 30, 2020.

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. The Authority had a restricted fund balance of \$19,889,894 as of June 30, 2020.

Committed fund balance – amounts that can only be used for specific purposes determined by formal action of the Authority's highest level of decision-making authority (the Board of Directors) 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. The Authority did not have any committed fund balance as of June 30, 2020.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance (Continued)

Assigned fund balance – amounts that are constrained by the Authority's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making authority, or by a body or an official designated for that purpose. The Authority did not have any assigned fund balance as of June 30, 2020.

Unassigned fund balance – the residual classification for the Authority'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 Authority had an unassigned fund balance of \$738,463 as of June 30, 2020.

The Board of Directors establishes, modifies, or rescinds fund balance commitments and assignments by passage of an ordinance or resolution.

The Authority considers restricted fund balance to be spent first when both restricted and unrestricted resources are available for use. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Authority considers Committed amounts to be reduced first, followed by Assigned amounts, and then Unassigned amounts.

I. Use of 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.

J. Effect of New Governmental Accounting Standards Board Pronouncements

During the year ended June 30, 2020, the Authority implemented the following standard:

GASB Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The requirements of this statement are effective for reporting periods beginning after June 15, 2018, and later. There was no impact on the basic financial statements due to the implementation of this statement.

K. Future Governmental Accounting Standards Board Pronouncements

Recently released standards by GASB affecting future years are as follows:

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The Authority has not fully judged the effect of the implementation of GASB Statement No. 84 as of the date of the basic financial statements.

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The Authority has not fully judged the effect of the implementation of GASB Statement No. 87 as of the date of the basic financial statements.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. The Authority has not fully judged the effect of the implementation of GASB Statement No. 89 as of the date of the basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Future Governmental Accounting Standards Board Pronouncements (Continued)

GASB Statement No. 90 – Major Equity Interests. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The Authority has not fully judged the effect of the implementation of GASB Statement No. 90 as of the date of the basic financial statements.

GASB Statement No. 91 – Conduit Debt Obligations. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. The Authority has not fully judged the effect of the implementation of GASB Statement No. 91 as of the date of the basic financial statements.

GASB Statement No. 92 – Omnibus 2020. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The Authority has not fully judged the effect of the implementation of GASB Statement No. 92 as of the date of the basic financial statements.

GASB Statement No. 93 – Replacement of Interbank Offered Rates. The requirements of this statement are effective for reporting periods beginning after December 31, 2022. The Authority has not fully judged the effect of the implementation of GASB Statement No. 93 as of the date of the basic financial statements.

GASB Statement No. 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The Authority has not fully judged the effect of the implementation of GASB Statement No. 94 as of the date of the basic financial statements.

GASB Statement No. 96 – Subscription-Based Information Technology Arrangements. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The Authority has not fully judged the effect of the implementation of GASB Statement No. 96 as of the date of the basic financial statements.

GASB Statement No. 97 – Certain Component Units Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment to GASB Statements No. 14 and No. 84 and a Supersession of GASB Statement No. 32. The requirements of this statement are effective for reporting periods beginning after June 15, 2020. The Authority has not fully judged the effect of the implementation of GASB Statement No. 97 as of the date of the basic financial statements.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments and restricted cash and investments consisted of the following at June 30, 2020:

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Pooled cash and investments held by the County of Santa Cruz	\$ -	\$ 2,010,127	\$ 2,010,127
Cash with fiscal agent	<u>19,889,814</u>	<u>-</u>	<u>19,889,814</u>
Total	<u>\$ 19,889,814</u>	<u>\$ 2,010,127</u>	<u>\$ 21,899,941</u>

A. Cash Held with the County Treasurer

The Authority pools cash from all sources and all funds with the County Treasurer so that it can be invested at the maximum yield, consistent with safety and liquidity. The County Treasury Oversight Committee oversees the Treasurer’s investments and policies.

NOTE 2 – CASH AND INVESTMENTS (Continued)

A. Cash Held with the County Treasurer (Continued)

The California Government Code requires California banks and savings and loan associations to secure the County's cash deposits by pledging securities as collateral. This code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the County's name.

The market value of pledged securities must equal at least 110% of the County's cash deposits. California law also allows institutions to secure County deposits by pledging first trust deed mortgage notes having a value of 150% of the County's total cash deposits. The County may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The County, however, has not waived the collateralization requirements.

B. Investments

The table below identifies the investment types that are authorized for the County by the California Government Code or the County's Investment Policy, where more restrictive. The table also identifies certain provisions of the County's Investment Policy that address interest rate risk, credit risk, and concentration risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local agency bonds	5 years	10%	None
U.S. Treasury obligations	5 years	100%	None
U.S. Governmental Agency obligations	5 years	100%	25%
Bankers' acceptances	180 days	40%	10%
Commercial paper	270 days	25%	10%
Negotiable certificates of deposit	5 years	30%	10%
Bank deposits	5 years	10%	10%
Repurchase agreements	1 year	100%	10%
Medium-term notes	5 years	30%	10%
Mutual funds/money market mutual funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	\$50 million	None
Joint Powers Authority investment funds	N/A	25%	None
Supnationals	5 years	30%	None

C. Interest Rate Risk

The County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less in accordance with its investment policy.

D. Concentration of Credit Risk

At June 30, 2020, in accordance with State law and the County's Investment Policy, the County did not have 5% or more of its net investment in commercial paper, corporate bonds, or medium-term notes of a single organization, nor did it have 10% or more of its net investment in any one money market mutual fund. Investments in obligations of the U.S. government, U.S. government agencies, or government sponsored enterprises are exempt from these limitations.

NOTE 2 – CASH AND INVESTMENTS (Continued)

E. Custodial Credit Risk

For investments and deposits held with fiscal agents, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or deposits that are in the possession of an outside party. At year-end, the County's investment pool and cash with fiscal agents had no securities exposed to custodial credit risk.

F. LAIF

The County is a participant in the LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The County's investments with LAIF at June 30, 2020, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities:

- **Structured Notes:** debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.
- **Asset-Backed Securities:** generally, mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2020, as included within the County's basic financial statements, the County invested \$75,253,253 in LAIF. LAIF provided a fair value factor of 1.004912795 to calculate the fair value of the investments in LAIF. However, an adjustment was not made to reflect the fair value of LAIF, as the fair value adjustment was considered immaterial.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute.

G. Restricted Cash Held with Fiscal Agent

Restricted cash with fiscal agents in the amount of \$19,889,894 included certain amounts which are held by fiscal agents to be used for payment of long-term debt. These funds have been invested as permitted by applicable County ordinances and resolutions.

NOTE 3 – LONG-TERM DEBT

Activity for long-term debt for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Amounts Due Within a Year	Amounts Due More than a Year
Governmental Activities:						
2020 Special Tax Bonds	\$ -	\$ 18,590,000	\$ -	\$ 18,590,000	\$ -	\$ 18,590,000
Plus Deferred Amounts:						
For Issuance Premiums	-	1,252,964	(13,812)	1,239,152	47,356	1,191,796
2017 Special Tax Bonds	20,920,000	-	(430,000)	20,490,000	450,000	20,040,000
Plus Deferred Amounts:						
For Issuance Premiums	999,944	-	(38,215)	961,729	38,214	923,515
Total Governmental Activities						
Long-Term Liabilities	\$ 21,919,944	\$ 19,842,964	\$ (482,027)	\$ 41,280,881	\$ 535,570	\$ 40,745,311

NOTE 3 – LONG-TERM DEBT (Continued)

2017 Special Tax Bonds

On June 1, 2017, the Authority issued Santa Cruz Libraries Facilities Financing Authority Community Facilities District 2016-1 2017 Special Tax Bonds (2017 Special Tax Bonds) in the original amount of \$21,170,000. Interest from 3.00% to 5.00% is paid semi-annually and principal payments are made at September 1st. As of June 30, 2020, the total principal balance was \$20,490,000 and the unamortized bond premium was \$961,730. Principal and interest paid for the current period was \$468,214.

The debt service requirement to maturity for the 2017 Special Tax Bonds, including interest, is as follows:

Year Ending June 30	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2021	\$ 450,000	\$ 756,081
2022	475,000	732,956
2023	495,000	708,706
2024	520,000	683,331
2025	545,000	656,706
2026-2030	3,170,000	2,847,081
2031-2035	3,850,000	2,176,047
2036-2040	4,500,000	1,515,475
2041-2045	5,310,000	682,406
2046	1,175,000	20,563
Subtotal	<u>20,490,000</u>	<u>\$ 10,779,352</u>
Premium	<u>961,729</u>	
	<u>\$ 21,451,729</u>	

2020 Special Tax Bonds

On February 20, 2020 the Authority issued Santa Cruz Libraries Facilities Financing Authority Community Facilities District 2016-1 2020 Special Tax Bonds (2020 Special Tax Bonds) in the original amount of \$18,590,000. Interest from 3.00% to 5.00% is paid semi-annually and principal payments are made at September 1st. As of June 30, 2020, the total principal balance was \$18,590,000 and the unamortized bond premium was \$1,252,964. Principal and interest paid for the current period was \$267,325.

NOTE 3 – LONG-TERM DEBT (Continued)

2020 Special Tax Bonds (Continued)

The debt service requirement to maturity for the 2020 Special Tax Bonds, including interest, is as follows:

Year Ending June 30	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2021	\$ -	\$ 552,050
2022	430,000	558,700
2023	450,000	536,700
2024	475,000	513,575
2025	495,000	489,325
2026-2030	2,885,000	2,038,375
2031-2035	3,550,000	1,405,725
2036-2040	3,955,000	996,356
2041-2045	4,425,000	513,313
2046-2047	1,925,000	48,437
Subtotal	18,590,000	\$ 7,652,556
Premium	1,239,152	
	<u>\$ 19,829,152</u>	

NOTE 4 – CONTINGENCIES AND COMMITMENTS

Lawsuits

In the ordinary course of business, the Authority is subject to various claims, investigations, proceedings, tax assessments, and legal actions from time to time arising out of the conduct of the Authority's business. Management believes that, based on current knowledge, the outcome of any such pending matters will not have a material adverse effect on the Authority's financial position.

Commitments

The Authority does not have any major contractual commitments or contingencies as of the year ended June 30, 2020.

NOTE 5 – SUBSEQUENT EVENTS

The Authority's management has evaluated all events and transactions that occurred after June 30, 2020, and through December 19, 2020, the date the basic financial statements and accompanying notes to the basic financial statements were available to be issued. During this period, no events or transactions occurred that would require adjustment of the basic financial statements or disclosure in the accompanying notes.

REQUIRED SUPPLEMENTARY INFORMATION

**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Tax assessments	\$ 4,425,000	\$ 4,425,000	\$ 4,426,888	\$ 1,888
Interest income	12,427	183,973	196,898	12,925
Total Revenues	<u>4,437,427</u>	<u>4,608,973</u>	<u>4,623,786</u>	<u>14,813</u>
EXPENDITURES:				
Contributions to other agencies	15,615,492	16,691,327	16,691,327	-
Principal on long-term debt	430,000	430,000	430,000	-
Interest on long-term debt	778,081	778,081	778,081	-
General and administrative	22,000	5,695	5,695	-
Total Expenditures	<u>16,845,573</u>	<u>17,905,103</u>	<u>17,905,103</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(12,408,146)</u>	<u>(13,296,130)</u>	<u>(13,281,317)</u>	<u>14,813</u>
OTHER FINANCING SOURCES (USES):				
Issuance of debt	-	18,590,000	18,590,000	-
Premium on long-term debt	-	1,252,964	1,252,964	-
Bond issuance costs	-	(537,985)	(526,159)	11,826
Total Other Financing Sources (Uses)	<u>-</u>	<u>19,304,979</u>	<u>19,316,805</u>	<u>11,826</u>
NET CHANGE IN FUND BALANCE	<u>\$ (12,408,146)</u>	<u>\$ 6,008,849</u>	<u>6,035,488</u>	<u>\$ 26,639</u>
FUND BALANCE:				
Beginning of year			<u>14,592,789</u>	
End of year			<u>\$ 20,628,277</u>	

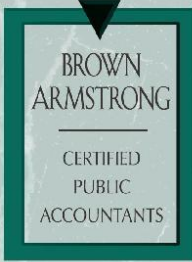
**SANTA CRUZ LIBRARIES FACILITIES FINANCING AUTHORITY
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

General Budget Policies

The Santa Cruz Libraries Facilities Financing Authority (the Authority) shall adopt an annual budget which provides for allocating the funds it receives to Members of the Authority. The budget allocation shall be based on the Amended and Restated Joint Exercise of Powers Agreement, dated January 2017. Once a Member has received their maximum allocations based on the Agreement, further allocations will not be paid. The Authority shall distribute all of the funds it receives each year up to the maximum allocations.

OTHER REPORT



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Santa Cruz Libraries Facilities Financing Authority
Santa Cruz, California

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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities and general fund information of the Santa Cruz Libraries Facilities Financing Authority (the Authority) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 19, 2020.

Internal Control Over Financial Reporting

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

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

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

REGISTERED with the Public Company
Accounting Oversight Board and
MEMBER of the American Institute of
Certified Public Accountants

Compliance and Other Matters

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

Purpose of this Report

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

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
December 19, 2020