

SANTA CRUZ • PUBLIC
LIBRARIES
A City-County System

LIBRARY JOINT POWERS AUTHORITY BOARD
FINANCE SUBCOMMITTEE

Monday, November 29, 2010
Central Branch Community Meeting Room
224 Church Street, Santa Cruz

5:00 PM PUBLIC MEETING

1. ROLL CALL
2. APPROVE AGENDA
3. APPROVE MINUTES OF October 25, 2010
4. ORAL COMMUNICATIONS
5. STAFF REPORTS
 - a. Financial reports through October 31, 2010
 - i. Consolidated balance sheet showing assets and liabilities
 - ii. Summary page showing fund balances for fiduciary and contingency funds
 - iii. Revenue and Expense report (Financial Status Balances) including encumbrances
 - iv. Interagency labor charges (52149) broken out into detail showing payroll costs and specific benefit costs;
 - v. Month End Cash Balances
 - vi. Public Library Fund: Annual Certification
6. OTHER BUSINESS
 - a. Draft audit report
 - b. Ongoing committee schedule and members
7. NEXT MEETING

The next regularly scheduled meeting is January 4, 2011

8. ADJOURN

The Library Joint Powers Authority Board Finance Subcommittee will adjourn from the regularly scheduled meeting of November 29, 2010 to the next regularly scheduled public meeting on January 4, 2011 at 5:00 pm in the Community Meeting Room of the Central Branch Library.

The Santa Cruz City-County Library System does not discriminate against persons with disabilities. Out of consideration for people with chemical sensitivities, the Library requests that you attend fragrance free. The Central Branch Library is a fully accessible facility. If you wish to attend this public meeting, and you will require special assistance such as sign language or other special devices in order to attend and participate, please call (831) 427-7706 seventy-two (72) hours prior to the event to make arrangements for assistance. Upon request, agendas for public meetings can be provided in a format to accommodate special needs.

SANTA CRUZ PUBLIC LIBRARIES
A CITY-COUNTY SYSTEM

LIBRARY JOINT POWERS BOARD
FINANCE COMMITTEE

MINUTES

October 25, 2010

Central Branch Meeting Room
224 Church Street, Santa Cruz

5:00 PM PUBLIC MEETING

I. ROLL CALL

Present: Citizenmember Gorson, Councilmember Storey, Councilmember Rotkin (arrived at 5:07 pm)
(Called to order at 5:05 pm)

Staff: Teresa Landers, Director of Libraries

II. APPROVAL OF MEETING AGENDA OF October 25, 2010

Councilmember Storey moved, seconded by Citizenmember Gorson

that the Board approve the agenda of October 25, 2010

UNAN
Absent: Rotkin

III. APPROVAL OF MINUTES

A. MINUTES OF September 20, 2010

Councilmember Storey moved, seconded by Citizenmember Gorson

that the Board approve the minutes of September 20, 2010.

UNAN
Absent: Rotkin

(Rotkin arrived at 5:07pm)

IV. ORAL COMMUNICATIONS

There were no oral communications

V. STAFF REPORTS

a. Financial reports: Financial reports through September 30, 2010 were reviewed- Revenues and Expenditures are in line with this time of year. Interagency labor charges are slightly under expended. The cash balance remains positive.

b. Several questions were posed:

- Why is FICA so low (Teresa will ask Jack Dilles)

- There are two \$40,000 debt payments budgeted. One is the payment to Watsonville. The second one may be for tenant improvements to the Headquarters Building. Teresa will clarify.
- Where will the \$500,000 reserve appear on the financial statements. (Teresa will ask Jack Dilles)
- What is the schedule for the audit and can the Finance Committee review the draft? (Teresa will ask Jack Dilles)
- Teresa will also clarify if financial reports for October will be available in time for the next Finance Committee meeting the Monday after Thanksgiving.

VI. OTHER BUSINESS

A letter from Pat Busch reporting on first quarter sales tax revenue was reviewed. Receipts exceeded estimates by \$62,006.

VII. NEXT MEETING TOPICS

The next meeting is scheduled for Monday November 29, 2010 at 5:00PM in the Central Library meeting room.

VIII. ADJOURN

The regular meeting adjourned at 5:30 p.m.

Respectfully submitted,

Teresa Landers
Library Director

All documents referred to in these minutes are available in the Library Office.

LIBRARY JOINT POWERS AUTHORITY COMBINED BALANCE SHEET JPA FUND AND ACCOUNT GROUPS OCTOBER 2010	PRELIMINARY PENDING AUDIT
	JPA
	Total
Assets	
Pooled cash	1,397,052.22
Pooled cash interest receivable	784.23
Infrastructure	579,683.02
Accumulated depreciation - infrastructure	(191,370.66)
Buildings	1,758,907.67
Accumulated depreciation - buildings	(853,447.25)
Lease improvements - buildings	259,124.00
Accumulated depreciation - lease imp-buildings	(178,220.34)
Machinery and equipment	1,617,208.66
Accumulated depreciation - machinery & equip	(1,478,466.09)
Software	61,759.70
Accumulated depreciation-software	(61,759.70)
Construction in progress	78,918.85
Total Assets	2,990,174.31
Liabilities	
Accounts payable	205,795.35
Sales tax payable	553.67
Deferred grant revenue - unearned	529.84
Unclaimed funds	1,035.45
Payable to the County - noncurrent	80,586.11
Other intergovernmental payable-noncurrent	391,139.91
Total Liabilities	679,640.33
Equities	
Unreserved, undesignated fund balance	1,189,922.14
Investment in capital assets - Library	1,592,337.86
Reserved for long-term debt	(471,726.02)
Total Equities	2,310,533.98
Total Liabilities and Equities	2,990,174.31

LIBRARY JOINT POWERS AUTHORITY							PRELIMINARY
COMBINED BALANCE SHEET							PENDING AUDIT
SPECIAL FUNDS							
OCTOBER 2010							
Fund #	955	956	957	960	Spec Funds		
Fund Description	Contingency	Technology	Projects	Felton	Total		
Assets							
Pooled cash	9,427.36	4,763.42	469.28	1,132.70	15,792.76		
Pooled cash interest receivable	21.97	11.10	1.09	2.64	36.80		
Total Assets	9,449.33	4,774.52	470.37	1,135.34	15,829.56		
Equities							
Unreserved, undesignated fund balance	9,449.33	4,774.52	470.37	1,135.34	15,829.56		
Total Equities	9,449.33	4,774.52	470.37	1,135.34	15,829.56		

LIBRARY JOINT POWERS AUTHORITY													
COMBINED BALANCE SHEET													PRELIMINARY
TRUST FUNDS													PENDING AUDIT
OCTOBER 2010													
	Fund #	931	932	933	934								
Fund Description		McCaskill Loc His	McCaskill Vis Imp	Finkeldey	Whalen								Trust Funds
													Total
Assets													
Pooled cash		259,316.52	245,162.25	9,493.99	118,989.59								632,962.35
Pooled cash interest receivable		608.42	579.36	22.28	297.04								1,507.10
Total Assets		259,924.94	245,741.61	9,516.27	119,286.63								634,469.45
Equities													
Net assets held in trust-library prog		259,924.94	245,741.61	9,516.27	119,286.63								634,469.45
Total Equities		259,924.94	245,741.61	9,516.27	119,286.63								634,469.45

Revenue Status Report
 CITY OF SANTA CRUZ
 10/1/2010 through 10/31/2010

951 Library Joint Powers Authority

Account Number	Adjusted Estimate	Revenues	Year-to-date Revenues	Balance	Prc't Rcvd
951-41000 TAXES					
951-00-00-0000-41211 Sales and use tax	5,321,475.00	964,715.47	1,828,220.47	3,493,254.53	34.36
Total TAXES	5,321,475.00	964,715.47	1,828,220.47	3,493,254.53	34.36
951-43000 INTERGOVERNMENTAL					
951-36-00-0000-43210 State operating grants and contributions	70,000.00	0.00	0.00	70,000.00	0.00
951-36-00-0000-43310 Local operating grants and contributions	12,000.00	0.00	12,000.00	0.00	100.00
951-36-00-0000-43311 Maintenance of effort contributions	5,210,951.00	868,603.98	1,736,936.71	3,474,014.29	33.33
951-36-55-3531-43210 State operating grants and contributions	2,500.00	801.80	1,001.30	1,498.70	40.05
951-36-55-3560-43190 Federal grants - other	3,024.00	0.00	0.00	3,024.00	0.00
Total INTERGOVERNMENTAL	5,298,475.00	869,405.78	1,749,938.01	3,548,536.99	33.03
951-44000 CHARGES FOR SERVICES					
951-36-00-0000-44613 Internet use fee	7,000.00	325.95	1,551.95	5,448.05	22.17
951-36-00-0000-44630 Room rentals-library JPA	1,890.00	120.00	680.00	1,210.00	35.98
951-36-00-0000-44901 Photocopy fee	10,000.00	538.95	2,332.74	7,667.26	23.33
Total CHARGES FOR SERVICES	18,890.00	984.90	4,564.69	14,325.31	24.16
951-45000 FINES AND FORFEITS					
951-36-00-0000-45131 Library fines	200,000.00	17,129.61	68,123.75	131,876.25	34.06
951-36-00-0000-45132 Lost library items	25,000.00	1,980.00	7,515.00	17,485.00	30.06
Total FINES AND FORFEITS	225,000.00	19,109.61	75,638.75	149,361.25	33.62
951-46000 MISCELLANEOUS REVENUES					
951-00-00-0000-46110 Pooled cash and investment interest	-5,000.00	986.43	2,014.34	-7,014.34	40.29

Revenue Status Report
 CITY OF SANTA CRUZ
 10/1/2010 through 10/31/2010

951 Library Joint Powers Authority

Account Number	Adjusted Estimate	Revenues	Year-to-date Revenues	Balance	Prc't Rcvd
951-00-00-0000-46190 Interest earnings - other	5,141.00	676.76	1,219.03	3,921.97	23.71
951-00-00-0000-46910 Miscellaneous operating revenue	9,250.00	0.00	2,765.00	6,485.00	29.89
951-00-00-0000-46990 Miscellaneous non-operating revenue	25,000.00	15,500.22	55,286.78	-30,286.78	221.15
951-36-00-0000-46303 Donations - library	33,000.00	1,540.00	41,545.70	-8,545.70	125.90
951-36-00-0000-46309 Donations - library - Friends of the Lib	25,000.00	13,889.59	22,125.89	2,874.11	88.50
951-36-00-0000-46916 Cash over/short	0.00	-19.23	-12.43	12.43	0.00
951-36-00-0000-46918 Damaged property recovery	0.00	10.00	33.23	-33.23	0.00
Total MISCELLANEOUS REVENUES	92,391.00	32,583.77	124,977.54	-32,586.54	135.27
951-49000 OTHER FINANCING SOURCES					
951-00-00-0000-49122 From Library Private Trust Fund	40,190.00	0.00	40,190.00	0.00	100.00
Total OTHER FINANCING SOURCES	40,190.00	0.00	40,190.00	0.00	100.00
Grand Total	10,996,421.00	1,886,799.53	3,823,529.46	7,172,891.54	34.77

Expenditure Status Report
CITY OF SANTA CRUZ
 10/1/2010 through 10/31/2010

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 Periods: 4 through 4

951 Library Joint Powers Authority

Account Number	Adjusted Appropriation	Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Prct Used
951-36-53-3515-52933	36,506.00	0.00	30,732.00	0.00	5,774.00	84.18
951-36-54-3550-52149	550,312.00	44,137.95	160,789.43	0.00	389,522.57	29.22
951-36-54-3550-52199	29,000.00	125.00	437.50	15,562.50	13,000.00	55.17
951-36-54-3550-52248	215,038.00	0.00	44,423.30	6,400.00	164,214.70	23.63
951-36-54-3550-52249	55,275.00	6,505.23	13,267.84	9,588.36	32,418.80	41.35
951-36-54-3550-52302	1,300.00	0.00	236.00	0.00	1,064.00	18.15
951-36-54-3550-52403	111,713.00	12,083.34	34,525.42	73,052.15	4,135.43	96.30
951-36-55-3560-52149	802,600.00	58,822.62	226,745.08	0.00	575,854.92	28.25
951-36-55-3560-52302	800.00	0.00	115.50	0.00	684.50	14.44
951-36-55-3560-52304	13,975.00	929.95	1,283.39	0.00	12,691.61	9.18
951-36-55-3560-52306	3,024.00	0.00	0.00	0.00	3,024.00	0.00
951-36-55-3560-52960	3,000.00	0.00	0.00	0.00	3,000.00	0.00
951-36-55-3560-52972	6,000.00	339.45	811.96	0.00	5,188.04	13.53
Total SERVICES	9,722,740.00	714,200.99	2,754,527.00	286,081.87	6,702,131.13	31.07
951-53000 SUPPLIES						
951-36-50-3510-53101	12,000.00	512.03	1,375.26	0.00	10,624.74	11.46
951-36-50-3510-53102	16,200.00	1,569.98	4,663.05	0.00	11,536.95	28.78
951-36-51-3520-53106	567,000.00	88,289.66	211,222.47	0.00	355,777.53	37.25
951-36-51-3520-53107	25,000.00	25.00	17,693.81	0.00	7,300.19	70.80
951-36-51-3520-53112	120,350.00	3,070.99	12,472.06	3,500.00	104,377.94	13.27
951-36-52-3530-53109	6,500.00	487.10	1,040.15	0.00	5,459.85	16.00
951-36-53-3515-53108	2,690.00	236.14	399.91	0.00	2,290.09	14.87
951-36-53-3515-53113	18,000.00	792.29	4,189.16	0.00	13,810.84	23.27
951-36-53-3515-53311	157,710.00	12,426.47	55,114.69	0.00	102,595.31	34.95
951-36-53-3515-53312	20,260.00	474.99	2,198.39	0.00	18,061.61	10.85
951-36-54-3550-53110	20,000.00	0.00	3,149.28	4,782.31	12,068.41	39.66
Total SUPPLIES	965,710.00	107,884.65	313,524.23	8,282.31	643,903.46	33.32
951-54000 OTHER MATERIALS AND SERVICES						
951-36-50-3510-54990	3,020.00	0.00	0.00	0.00	3,020.00	0.00
951-36-52-3630-54990	2,390.00	33.64	105.64	0.00	2,284.36	4.42
951-36-54-3550-54203	0.00	0.00	358.28	0.00	-358.28	0.00
951-36-55-3531-54990	2,500.00	190.00	950.00	1,330.00	220.00	91.20

Expenditure Status Report
 CITY OF SANTA CRUZ
 10/1/2010 through 10/31/2010

951 Library Joint Powers Authority

Account Number	Adjusted Appropriation	Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Prct Used
951-36-55-3560-54990	31,071.00	544.22	3,309.28	0.00	27,761.72	10.65
Total	38,981.00	767.86	4,723.20	1,330.00	32,927.80	15.53
951-56000						
OTHER CHARGES						
951-36-52-3530-56995	2,000.00	276.50	790.50	0.00	1,209.50	39.53
Total	2,000.00	276.50	790.50	0.00	1,209.50	39.53
951-57000						
CAPITAL OUTLAY						
951-36-54-3550-57410	73,000.00	3,280.96	16,367.86	0.00	56,632.14	22.42
Total	73,000.00	3,280.96	16,367.86	0.00	56,632.14	22.42
951-58000						
DEBT SERVICE						
951-36-50-3540-58140	40,961.00	0.00	0.00	0.00	40,961.00	0.00
951-36-50-3540-58190	40,293.00	0.00	40,293.07	0.00	-0.07	100.00
951-36-50-3540-58240	19,600.00	0.00	0.00	0.00	19,600.00	0.00
951-36-50-3540-58290	3,500.00	325.97	977.91	0.00	2,522.09	27.94
Total	104,354.00	325.97	41,270.98	0.00	63,083.02	39.55
951-59000						
OTHER FINANCING USES						
Total	0.00	0.00	0.00	0.00	0.00	0.00
Grand Total	10,906,785.00	826,736.93	3,131,203.77	275,694.18	7,499,887.05	31.24

Expenditure Status Report
CITY OF SANTA CRUZ
 10/1/2010 through 10/31/2010

Account Number	General Fund	Library (City)	Adjusted Appropriation	Expenditures	Year-to-date Expenditures	Year-to-date Encumbrances	Balance	Prcnt Used
101-35-51000	PERSONNEL SERVICES							
Total	Regular full time		4,226,408.00	479,819.52	1,398,576.72	0.00	2,827,831.28	33.09
Total	Regular part time		733,982.00	83,334.75	239,756.50	0.00	494,225.50	32.67
Total	Overtime		3,000.00	0.00	92.72	0.00	2,907.28	3.09
Total	Termination pay		0.00	0.00	2,288.39	0.00	-2,288.39	0.00
Total	Temporary		520,010.00	50,102.22	142,499.81	0.00	377,510.19	27.40
Total	Other pay		0.00	0.00	158.43	0.00	-158.43	0.00
Total	Special vacation pay		12,600.00	0.00	0.00	0.00	12,600.00	0.00
Total	Special sick leave pay		0.00	0.00	-329.16	0.00	329.16	0.00
Total	Vehicle allowance		2,880.00	535.00	1,127.40	0.00	1,752.60	39.15
Total	Retirement contribution		665,780.00	77,127.54	222,902.64	0.00	442,877.36	33.48
Total	F.I.C.A.		69,994.00	2,250.03	6,666.57	0.00	63,327.43	9.52
Total	Group health insurance		982,969.00	114,635.77	289,935.05	0.00	683,033.95	29.50
Total	Group dental insurance		99,100.00	11,807.34	29,972.26	0.00	69,127.74	30.24
Total	Vision insurance		17,994.00	2,139.54	5,436.86	0.00	12,557.14	30.21
Total	Medicare insurance		63,836.00	7,992.72	23,307.96	0.00	40,528.04	36.51
Total	Group life insurance		2,744.00	342.99	873.15	0.00	1,870.85	31.82
Total	Disability insurance		35,300.00	3,795.70	11,049.97	0.00	24,250.03	31.30
Total	Unemployment insurance		37,175.00	2,851.47	8,194.46	0.00	28,980.54	22.04
Total	Workers' compensation		221,481.00	27,358.70	79,443.42	0.00	142,037.58	35.87
Total	Accrued vacation - period 13		0.00	0.00	0.00	0.00	0.00	0.00
Grand Total			7,695,253.00	864,093.29	2,461,953.15	0.00	5,233,299.85	31.99

Library - Fund 951
 Month-End Cash Balances

	July	August	September	October	November	December	January	February	March	April	May	June
FY 2011 Pooled cash	72,541.96	250,794.12	312,607.59	1,397,052.22								
FY 2010 Pooled cash	(908,343.59)	(797,637.50)	(752,924.76)	(597,787.31)	(558,459.72)	(707,533.76)	290,832.95	(390,345.22)	(62,933.26)	15,984.66	25,912.58	120,299.01
FY 2009 Pooled cash	(1,028,955.46)	(397,327.61)	(356,999.20)	252,949.44	(714,416.36)	(711,714.61)	(812,054.05)	(668,015.42)	(595,048.05)	(543,669.74)	222,502.65	(667,431.15)
FY 2008 Pooled cash	555,177.28	265,993.39	362,222.74	452,678.88	381,688.89	348,644.68	414,873.10	180,026.54	267,117.50	988,379.63	877,239.75	65,274.00
FY 2007 Pooled cash	378,173.37	260,209.81	(47,055.07)	77,967.52	141,276.32	331,082.13	1,134,207.34	1,970,284.04	582,080.73	688,990.25	693,402.17	260,082.00

ANNUAL CERTIFICATION: PUBLIC LIBRARY FUND

Submit two copies of this form, one with original signature, by December 1, 2010

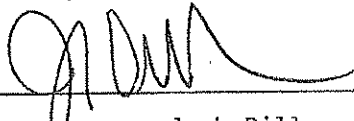
Library jurisdiction: Santa Cruz Public Libraries

Certification. Complete all four entries. Local revenue appropriated:

1.	<u>FY 2009-10</u>	<u>10,741,282</u>
2.	<u>FY 2010-11</u>	<u>10,653,907</u>
3.	<u>90% of FY 2009-10</u>	<u>9,667,154</u>
4.	<u>Difference (2 - 3)</u>	<u>986,753</u>

From the FY 2010-11 appropriation (#2) subtract the 90% figure for the FY 2009-10 appropriation (#3). If the difference is zero or a positive number then the maintenance of effort requirement has been met. If not, please contact the State Library PLF coordinator (Ira Bray, ibray@library.ca.gov, (916) 653-0171) for assistance.

I hereby certify under penalty of perjury that I am the duly authorized officer of the claimant herein and that the data provided is all true, correct and in accordance with law and that payment has not previously been received for fiscal year 2010-11. Signature of Fiscal Officer:



Date: 11/23/10

Print Name and Title: Jack Dilles

Director of Finance

Address: 809 Center Street, Room 101, Santa Cruz, CA 95060

Telephone: (831) 420-5055

PUBLIC LIBRARY FINANCE

(Education Code, Title 1, Division 1, Part 11, Chapter 1.5)

ARTICLE 2. DEFINITIONS

- (c) "Fiscal officer" means, for a municipal library, the chief fiscal officer of the municipality; for a county library or a library district under the jurisdiction of the county board of supervisors, the chief fiscal officer of the county; and for an independent library district, the chief librarian of the district. In the case of a public library which provides foundation program service by contract to one or more jurisdictions in addition to the jurisdiction or jurisdictions with which it is affiliated, the chief fiscal officer of the jurisdiction with which it is primarily affiliated shall be deemed the fiscal officer for the public library for the purposes of this chapter.

**Santa Cruz
Public Libraries
Joint Powers
Authority**

Santa Cruz, California

*Basic Financial Statements and
Independent Auditors' Report*

For the year ended June 30, 2010

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Santa Cruz Public Libraries Joint Powers Authority
Basic Financial Statements
For the year ended June 30, 2010

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Management's Discussion and Analysis

Management of the Santa Cruz Public Libraries Joint Powers Authority (Authority) provides this Management Discussion and Analysis for readers of the Authority's Basic Financial Statements. This narrative overview and analysis of the financial activities of the Authority is for the fiscal year ended June 30, 2010.

I. Financial Highlights

- **Government-Wide Highlights:**

The assets of the Authority exceeded its liabilities at the close of the fiscal year by \$1,571,566 (*net assets*). A component of this balance represents \$1,592,338 of net investment in capital assets; however, the remainder of net assets consists of unrestricted net assets of negative (\$20,772) that primarily is the residual balance of the deficit unrestricted net assets of (\$901,278) from the prior fiscal year. Unrestricted net assets represent the amount normally used to meet the Authority's ongoing obligations.

Changes in Net Assets - The Authority's total net assets increased by \$758,982 in fiscal year 2010 that was the result of the Authority's efforts to reduce expenses, which included employee layoffs, furloughs and less spending on books and materials.

The Authority's total assets decreased by \$9,395 at fiscal year end. Certain asset categories did experience increases during the year, including Cash and Cash Equivalents of \$101,933 and Taxes Receivable of \$54,326. However, these increases were offset by decreases in Accounts Receivable of \$4,769, Prepaid Expenses of \$28,944, Due From Other Governments of \$11,350 and Net Capital Assets of \$121,524.

In addition, the Authority's total liabilities decreased by \$768,377 during the fiscal year due primarily to decreases in Accounts Payable of \$7,878, Due to City of Santa Cruz of \$667,431, Interest Payable of \$3,922, Deferred Revenue of \$9,787, Loans Payable of \$40,961 and Notes Payable of \$40,293.

- **Fund Highlights:**

As of the close of the fiscal year, the Authority's general fund reported a fund balance of \$511,783 which is an increase of \$797,281 in comparison with the prior year amount. This is a significant improvement in the Authority's financial condition as it had a negative fund balance of \$(285,498) in the prior fiscal year. The fund balance is a measure of whether the Authority will have sufficient resources to meet its near-term obligations.

The Authority's general fund total assets increased by \$112,129 and the total liabilities decreased by \$685,152 during the fiscal year. Changes in assets consist mainly of increases in Cash and Cash Equivalents of \$101,933 and Taxes Receivable of \$54,326. Changes in liabilities consist mainly of a decrease in Due to City of Santa Cruz of \$667,431, Accounts Payable of \$7,878 and Deferred Revenue of \$9,787.

II. Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Authority's basic financial statements. The Santa Cruz Public Libraries Joint Powers Authority's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*.

The *statement of activities* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., interest on long-term debt due but unpaid at the end of the fiscal year).

The Authority's library services function is principally supported by taxes and intergovernmental revenues, and is therefore considered a *governmental activity*. The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements can be found on pages 11 and 14 of this report.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund statements focus on *near-term inflows and outflows 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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority has one governmental fund, the general fund, which is used to account for all of its activities.

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 on pages 15-25 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents a section containing *required supplementary information* which includes a budgetary comparison schedule for the general fund, to demonstrate compliance with the budget. This section can be found on pages 27-29 of this report.

III. Government-wide Financial Analysis

By far the largest portion of the Authority's net assets reflects its investment in capital assets, primarily machinery, furnishings and equipment. These assets are used to provide services to citizens; consequently, they are not available for future spending. The table below shows the components of the net assets.

**Santa Cruz Public Libraries
Net Assets
At June 30, 2010**

	2010	2009
Total assets	\$ 2,628,438	\$ 2,637,833
Current liabilities	626,106	1,313,229
Noncurrent liabilities	430,766	512,020
Total liabilities	1,056,872	1,825,249
Net assets:		
Invested in capital assets, net	1,592,338	1,713,862
Restricted	-	-
Unrestricted	(20,772)	(901,278)
Total net assets	\$ 1,571,566	\$ 812,584

The figure in *unrestricted net assets* represents the balance in the amounts normally used to meet the Authority's ongoing obligations. At June 30, 2010, the Authority actually had a negative balance of (\$20,772) in unrestricted net assets; however, this is still a significant improvement from the negative balance of (\$901,278) in the prior fiscal year end.

Governmental Activities. All the activities of the Authority are governmental and it has no business-type activities.

Santa Cruz Public Libraries
Changes in Net Assets
Fiscal year ended June 30, 2010

	2010	2009
General revenues:		
Sales Tax	\$ 5,383,555	\$ 5,732,239
Unrestricted Investment Earnings	(591)	4,918
Miscellaneous Revenue	45,814	37,395
Total general revenues	5,428,778	5,774,552
Program revenues	5,639,638	5,974,701
Other financing sources	525	-
Total revenues	11,068,941	11,749,253
Expenditures	10,309,959	12,686,044
Changes in net assets	758,982	(936,791)
Net assets - beginning of year	812,584	1,749,375
Net assets - end of year	<u>\$ 1,571,566</u>	<u>\$ 812,584</u>

The Authority's net assets increased by \$758,982 during the fiscal year because of the Authority's continued efforts to reduce its operating expenses.

IV. Financial Analysis of the Authority's Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Authority's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. As mentioned above, such information may be useful in assessing the Authority's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the fiscal year, the Authority's general fund reported an ending fund balance of \$511,783, which is an increase of \$797,281 in comparison with the prior year amount. This increase has been possible because of the Authority's efforts to reduce operating costs, which have included employee layoffs, furloughs and less spending on books and materials. In addition, the Authority has received increased donations and assistance from the Friends of the Santa Cruz Public Library organization.

V. Budgetary Highlights

The final amended budget is more than the original budget for revenues and other financing sources by \$99,134, due to increases in Other Revenues of \$96,634, Fines and Forfeitures of \$20,000, and Intergovernmental of \$2,500, coupled with a decrease in Charges For Services of \$20,000. The final amended budget is more than the original budget for expenditures and other financing uses by \$103,134, due to increases in Services, Supplies and Other Charges of \$75,393 and Capital Outlay of \$27,741.

The actual revenues and other financing sources were less than the final amended budget by \$348,495. The actual expenditures and other financing uses were less than the final amended budget by \$688,184.

VI. Capital Asset and Debt Administration

Capital Assets. As of June 30, 2010, the Authority's investment in capital assets was \$1,592,338 (net of accumulated depreciation), which is \$121,524 less than the prior year. Increases in capital assets from the new phone system project and ongoing Felton Branch project were offset by retirements of equipment and additional accumulated depreciation.

Long-term Debt. At the end of the current fiscal year, the Authority had total long-term debt outstanding of \$512,020, which consisted of outstanding note obligations of \$120,880 and outstanding loan obligations of \$391,140. The Authority's long-term debt decreased by \$79,303 during the fiscal year due to scheduled annual repayments of outstanding debt. Additional information on the Authority's long-term debt can be found in Note 4 of this report.

VII. Economic Factors and Next Year's Budgets

Of the Authority's fiscal year 2010 revenues (excluding other financing sources), 46% came from a dedicated quarter cent sales tax approved by the voters in 1996. This tax was originally intended to sunset in 2012, but the voters approved making this quarter cent sales tax permanent in 2008. The balance of the Authority's revenues come from local contributions, property tax collected in the County unincorporated areas designated for libraries, bequest income, donations and fees and fines. Sales tax revenues are driven by the general health of the local economy. Sales tax revenue declined during fiscal year 2009-10, but is expected to hold steady in fiscal year 2010-11. Property tax collections had been strong in the past, but the drop in property values due to the poor housing market and budget transfers from the State have also had a negative impact on the library budget. In response to such declining revenues, the Authority has implemented plans to reduce its expenses, including employee layoffs, work furloughs and reductions in branch hours. The Library Joint Powers Authority Board, anticipating continued decline in the economy, is engaged in a financial planning process in which it hopes to set priorities for future library growth and spending.

VIII. Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Libraries, 117 Union Street, Santa Cruz, California, 95060.

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Santa Cruz Public Libraries
Statement of Net Assets
June 30, 2010

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 135,605
Interest receivable	1,168
Taxes receivable	500,706
Accounts receivable	-
Prepaid expenses	-
Due from other governments	398,621
Total current assets	<u>1,036,100</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>1,592,338</u>
Total assets	<u><u>2,628,438</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and other current liabilities	510,687
Due to City of Santa Cruz	-
Interest payable	20,535
Deferred revenue	12,530
Deposits payable	1,100
Loans payable - current portion	40,961
Notes payable - current portion	40,293
Total current liabilities	<u>626,106</u>
Noncurrent liabilities:	
Loans payable - due in more than one year	350,179
Notes payable - due in more than one year	<u>80,587</u>
Total noncurrent liabilities	<u>430,766</u>
Total liabilities	<u><u>1,056,872</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	1,592,338
Restricted	-
Unrestricted	<u>(20,772)</u>
Total net assets	<u><u>\$ 1,571,566</u></u>

See accompanying Notes to Basic Financial Statements.

Santa Cruz Public Libraries
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Total	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating	Capital		
			Grants and Contributions	Grants and Contributions		
						Governmental Activities
Primary government:						
Library services	\$ 10,288,441	\$ 260,679	\$ 5,365,964	\$ 12,995	\$ 5,639,638	\$ (4,648,803)
Interest on long-term debt (unallocated)	21,518	-	-	-	-	(21,518)
Total primary government	\$ 10,309,959	\$ 260,679	\$ 5,365,964	\$ 12,995	\$ 5,639,638	(4,670,321)
General Revenues:						
						5,383,555
						(591)
						45,814
Other Financing Sources (Uses):						
						525
						<u>5,429,303</u>
						758,982
						812,584
						<u>\$ 1,571,566</u>

See accompanying Notes to Basic Financial Statements.

Santa Cruz Public Libraries
Balance Sheet
Governmental Fund
June 30, 2010

	<u>Major Fund</u>
	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 135,605
Interest receivable	1,168
Taxes receivable	500,706
Accounts receivable	-
Prepaid expenses	-
Due from other governments	398,621
Total assets	\$ 1,036,100
LIABILITIES AND FUND BALANCES	
Liabilities:	
Accounts payable and other current liabilities	\$ 510,687
Due to City of Santa Cruz	-
Deferred revenue	12,530
Deposits payable	1,100
Total liabilities	524,317
Fund Balances:	
Reserved	-
Unreserved:	
Designated:	
Branch upgrades	-
Contingencies	9,459
Technology upgrades	4,780
Capital projects	471
Felton Branch	1,143
Undesignated	495,930
Total fund balance	511,783
Total liabilities and fund balance	\$ 1,036,100

See accompanying Notes to Basic Financial Statements.

Santa Cruz Public Libraries
Reconciliation of the Governmental Fund Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2010

Total Fund Balance - Total Governmental Fund \$ 511,783

Amounts reported for governmental activities in the Statement of Net Assets were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet. The capital assets were adjusted as follows:

Infrastructure	579,683
Buildings	1,758,907
Lease Improvements	259,124
Machinery and equipment	1,617,209
Software	61,760
Construction in progress	78,918
Less accumulated depreciation	<u>(2,763,263)</u>
Total capital assets	<u>1,592,338</u>

Interest payable on long-term debt did not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet. (20,535)

Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Governmental Funds Balance Sheet.

	Current Portion	Long-Term Portion	
Loans payable	\$ (40,961)	\$ (350,179)	(391,140)
Notes Payable	<u>(40,293)</u>	<u>(80,587)</u>	<u>(120,880)</u>
Total long-term liabilities	<u>\$ (81,254)</u>	<u>\$ (430,766)</u>	<u>(512,020)</u>

Net Assets of Governmental Activities \$ 1,571,566

See accompanying Notes to Basic Financial Statements.

Santa Cruz Public Libraries
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the year ended June 30, 2010

	<u>Major Fund</u> <u>General</u>
REVENUES:	
Taxes	\$ 5,383,555
Intergovernmental	5,216,027
Charges for services	14,304
Fines and forfeitures	246,375
Use of money and property	(591)
Other revenues	208,746
Total revenues	<u>11,068,416</u>
EXPENDITURES:	
Current:	
Personnel services	7,517,716
Services, supplies, and other charges	2,621,223
Debt service:	
Principal	79,303
Interest	25,440
Capital outlay	27,978
Total expenditures	<u>10,271,660</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>796,756</u>
OTHER FINANCING SOURCES (USES):	
Debt proceeds	-
Sale of surplus equipment	525
Transfers in	18,018
Transfers out	(18,018)
Total other financing sources (uses)	<u>525</u>
Net change in fund balance	797,281
FUND BALANCE:	
Beginning of year	<u>(285,498)</u>
End of year	<u>\$ 511,783</u>

See accompanying Notes to Basic Financial Statements.

Santa Cruz Public Libraries
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
For the year ended June 30, 2010

Net Change in Fund Balance - Total Governmental Funds \$ 797,281

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:

Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities and Changes in Net Assets, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current period. 46,718

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but did not require the use of current financial resources. Therefore, depreciation expense was not reported as an expenditure. (168,242)

Repayment of principal debt was an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets. 79,303

Interest payable on long-term debt was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but did not require the use of current financial resources. Therefore, it was not reported as an expenditure in the governmental fund.

Prior year interest payable	\$ 24,457	
Current year interest payable	20,535	
Change between prior and current year		<u>3,922</u>

Change in Net Assets of Governmental Activities \$ 758,982

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

Santa Cruz Public Libraries Joint Powers Authority
Notes to Basic Financial Statements
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Santa Cruz Public Libraries Joint Powers Authority (Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

A. Reporting Entity

In May 1996 the County of Santa Cruz (County), City of Santa Cruz (City), City of Watsonville, City of Capitola, and the City of Scotts Valley entered into a joint exercise of powers agreement to provide library services to their respective jurisdictions representing the entire incorporated and unincorporated areas of Santa Cruz County. On November 5, 1996, the voters approved an additional one-quarter percent increase in the sales tax to fund the library system. This revenue is collected by the County Library Financing Authority, and is subsequently passed through to the Authority. In addition to the sales tax funding, under the joint powers agreement, each entity has maintenance of effort requirements based on the respective entities' previous funding levels.

The Authority is a separate entity with a nine member board consisting of two members of the County Board of Supervisors, two members of the City of Santa Cruz City Council, one member each of the City Councils of Capitola and Scotts Valley, and three at-large citizens appointed by the Board. The City of Santa Cruz (the City) administers the library system. All library employees are employees of the City and have the same benefits and retirement programs as all other City employees.

B. Basis of Accounting and Measurement Focus

The accounts of the Authority are organized on the basis of funds. Each fund is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The Authority uses only one fund, General Fund, to record the results of its operations.

Government-Wide Financial Statements

The Authority's government-wide financial statements include a Statement of Net Assets and a Statement of Activities and Changes in Net Assets. These statements present summaries of governmental activities for the Authority.

The basic 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 and related infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. 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.

Santa Cruz Public Libraries Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Certain types of transactions are reported as program revenues for the Authority in three categories:

- Charges for services (including fines and forfeitures)
- Operating grants and contributions
- Capital grants and contributions

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance for all governmental funds aggregated. The Authority presented one major governmental fund.

The governmental fund is accounted for on a spending or “*current financial resources*” measurement focus. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financial sources) and decreases (expenditures and other financial uses) in fund balance.

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on general long-term obligations, which is recorded when due, are recorded when they are expected to be liquidated with expendable available resources.

Deferred revenues arise when potential revenues do not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when the government receives resources before it has a legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the government has a legal claim to the resources, the deferred revenue is removed from the balance sheet and revenue is recognized.

Reconciliations of the 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.

C. Use of Restricted/Unrestricted Net Assets

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

Santa Cruz Public Libraries Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash and Cash Equivalents

The Authority's cash is pooled with that of the City.

The City has pooled its cash and investments in order to achieve a higher return on investments while facilitating management of cash. The cash balance in the pooled accounts is available to meet current operating requirements of the Authority. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms. The Authority's cash is deposited in the City's internal investment pool, which is reported at fair value. Interest income is allocated on the basis of average cash balances. Investment policies and associated risk factors applicable to the Authority are those of the City and are included in the City's basic financial statements.

The investments made by the City are limited to those allowable under State Statutes and include the following types of investments:

Certificates of Deposit	Government Agency Securities
Bankers Acceptances	Treasury Bill and Notes
Medium term Notes	Passbook savings accounts
Repurchase Agreements	State of California Local Agency Investment Fund (LAIF)

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments with LAIF at June 30, 2010, 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 that 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, 2010, the City had pooled cash and investment in LAIF, which had invested 3.63% of the pool investment funds in structured notes and asset-backed securities as compared to 14.71% in the prior year. As of June 30, 2010 the LAIF fair value factor of 1.001643776 was used to calculate the fair values of the investments in LAIF.

Santa Cruz Public Libraries Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Capital Assets

Government-Wide Financial Statements

Capital assets are defined by the Authority as assets having an estimated useful life in excess of one year, and an initial individual cost as follows, depending on the asset type:

Infrastructure	\$ 25,000
Buildings and lease improvements	10,000
Machinery and equipment	5,000
Software (if qualified)	5,000

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated. Assets acquired under capital leases are capitalized in accordance with generally accepted accounting principles. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Infrastructure	5-100 Years
Buildings and lease improvements	15-50 Years
Machinery and equipment	5-20 Years
Software	5 Years

Fund Financial Statements

The fund financial statements do not present capital assets. Consequently, capital assets are presented as reconciling items in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

F. Interest Payable

In the Government-Wide Financial Statements, interest payable on long-term debt is recognized as the liability is incurred. Interest payable is not presented in the fund financial statements because the fund financial statements do not present liabilities related to long-term debt.

G. Long-Term Debt

Government-Wide Financial Statements - Long-term debt and other long-term obligations are reported as liabilities in the appropriate activities.

Fund Financial Statements - The fund financial statements do not present long-term debt. Consequently, long-term debt is shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

Santa Cruz Public Libraries Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Net Assets

In the Government-Wide Financial Statements, net assets may be classified in the following categories:

Invested in Capital Assets, net of Related Debt - 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.

Restricted Net Assets - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets - This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

I. Fund Balances

In the Fund Financial Statements, the General Fund reports reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

2. CASH AND INVESTMENTS

The Authority had the following cash and investments at June 30, 2010:

Cash and Investments	<u>\$ 135,605</u>
----------------------	-------------------

The Authority's funds are pooled with the City's cash and investments in order to generate optimum interest income. The information required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, related to authorized investments, interest rate risk, credit rate risk, custodial credit risk, and concentration risk is available in the basic financial statements of the City.

Santa Cruz Public Libraries Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. CAPITAL ASSETS

A. Government-Wide Financial Statements

At June 30, 2010 the Authority's capital assets consisted of the following:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Non-depreciable assets:				
Construction In Progress	\$ 52,613	\$ 26,305	\$ -	\$ 78,918
Total non-depreciable assets	52,613	26,305	-	78,918
Depreciable assets:				
Infrastructure	579,683	-	-	579,683
Buildings	1,758,907	-	-	1,758,907
Lease improvements	259,124	-	-	259,124
Machinery and equipment	1,628,319	20,413	(31,523)	1,617,209
Software	61,760	-	-	61,760
Total depreciable assets, at cost	4,287,793	20,413	(31,523)	4,276,683
Total capital assets	4,340,406	46,718	(31,523)	4,355,601
Less accumulated depreciation:				
Infrastructure	(164,848)	(26,522)	-	(191,370)
Buildings	(765,044)	(88,403)	-	(853,447)
Lease improvements	(163,049)	(15,171)	-	(178,220)
Machinery and equipment	(1,471,843)	(38,146)	31,523	(1,478,466)
Software	(61,760)	-	-	(61,760)
Total accumulated depreciation	(2,626,544)	(168,242)	31,523	(2,763,263)
Total capital assets, net	\$ 1,713,862	\$ (121,524)	\$ -	\$ 1,592,338

Purchases of books are recorded as expenditures when acquired and are not included in capital assets.

Depreciation expense of the governmental activities for the year ended June 30, 2010 was \$168,242.

B. Fund Financial Statements

The fund financial statements do not present general government capital assets. Consequently, capital assets are shown as a reconciling item in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets.

Santa Cruz Public Libraries Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

4. LONG-TERM DEBT

A summary of long-term debt transactions for the year ended June 30, 2010, is as follows:

Description	Balance			Balance June 30, 2010	Classification	
	July 1, 2009	Additions	Deletions		Due within one year	Due in more than one year
City of Santa Cruz Loan	\$ 430,150	\$ -	\$ (39,010)	\$ 391,140	\$ 40,961	\$ 350,179
2004 Library Debt to County	161,173	-	(40,293)	120,880	40,293	80,587
Total	\$ 591,323	\$ -	\$ (79,303)	\$ 512,020	\$ 81,254	\$ 430,766

City of Santa Cruz Loan

In September of 2008, the Authority executed a loan agreement with the City for \$467,303 related to the costs of the Authority's tenant improvements at the Union Locust building. The loan will be repaid over ten years, with an annual interest rate of 5%. The annual debt service payment on this loan is fixed at \$60,518 and payments began in January of 2009. The principal balance outstanding at June 30, 2010 was \$391,140.

The annual installment payments remaining on this loan at June 30, 2010, are as follows:

Year Ending June 30	Principal	Interest	Total
2011	\$ 40,961	\$ 19,557	\$ 60,518
2012	43,009	17,509	60,518
2013	45,159	15,359	60,518
2014	47,417	13,101	60,518
2015	49,788	10,730	60,518
2016-2018	164,806	16,748	181,554
Total	\$ 391,140	\$ 93,004	\$ 484,144

2004 Library Debt to County

On April 26, 2004, the Authority entered into an agreement with the County to repay an overpayment received due to a distribution error from the County. Payments began in August of 2005 and consist of fixed annual principal payments of \$40,293 plus interest. The interest rate is based upon the LAIF interest rate used by both parties and varies year to year. The interest portion listed below is estimated based on the LAIF rate used for 2010. The principal balance outstanding at June 30, 2010 was \$161,173.

Santa Cruz Public Libraries Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

4. LONG-TERM DEBT, Continued

The annual installment payments remaining on this agreement at June 30, 2010, are as follows:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 40,293	\$ 978	\$ 41,271
2012	40,293	652	40,945
2013	40,294	326	40,620
Total	\$ 120,880	\$ 1,956	\$ 122,836

5. RELATED PARTY TRANSACTIONS

The cities of Santa Cruz and Watsonville and the County are required to provide funding to the Santa Cruz County Library Financing Authority in accordance with the maintenance of effort agreement. The net revenues received by the County Library Financing Authority are then passed through to the Library Joint Powers Authority (Authority) and the City of Watsonville based on a prescribed formula. For fiscal year 2010, the Authority's share of the revenues is 77.49%; therefore, the Authority's share of the member contributions is as follows:

	Authority's Share (77.49%)
City of Santa Cruz	\$ 1,080,793
City of Watsonville	419,751
County of Santa Cruz	3,636,045
Total	\$ 5,136,589

6. DUE FROM OTHER GOVERNMENTS

Due from other governments represents anticipated reimbursements of expenditures incurred for library operations as follows:

	2010
County of Santa Cruz	\$ 398,422
State of California - First 5 Grant	199
Total	\$ 398,621

Santa Cruz Public Libraries Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

7. COMMITMENTS AND CONTINGENCIES

A. Commitments

As of June 30, 2010, the Authority had the following commitments:

<u>Project/Service</u>	<u>Amount</u>
Architectural services for the proposed Felton branch replacement	\$ 21,160
Consultant services for the open software (ILS) project	10,000
Consultant services for the VoIP phone system	10,410
Consultant services for the e-rate and ctf credits on telecommunications	<u>5,500</u>
	<u>\$ 47,070</u>

B. Contingencies

In the opinion of Authority's management, there were no additional outstanding matters that would have a significant effect on the financial position of the operations of the Authority at June 30, 2010.

8. RETIREMENT PLANS

Pension Plan

Authority's employees are covered under the City's participation in the State of California's Public Employees Retirement System (PERS).

The City contributes to PERS, an agent multiple-employer public employee retirement system, that acts as a common investment and administrative agency for participating public entities within the State of California.

The benefit provisions and all other requirements are established by State statute and City ordinance.

The Authority assumes its share of pension costs based upon rates established by PERS for the City's general employees. No separate pension benefit obligation is calculated for the Authority; accordingly, no obligation is presented herein. Further information regarding the City's participation in PERS may be found in the City's basic financial statements.

9. OTHER REQUIRED FUND DISCLOSURES

A. Deficit in Unrestricted Net Assets

At June 30, 2010, the Governmental Activities had a deficit in unrestricted net assets:

Governmental Activities	<u>\$ (20,772)</u>
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Santa Cruz Public Libraries Joint Powers Authority
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

The deficit in the Governmental Activities represents the residual balance of the deficit that first occurred in fiscal year 2009. At that time, the deficit was \$(901,278). Since then, the Authority has worked toward improving its financial condition, mainly through cost reduction measures, such as layoffs, furloughs and reduced books and materials purchases. These efforts have enabled the Authority to reduce its deficit balance from \$(901,278) down to \$(20,772) in fiscal year 2010. It is anticipated that the Authority will end fiscal year 2011 with a positive balance.

10. AUTHORITY'S FINANCIAL CONDITION

At June 30, 2010, the Authority had a deficit unrestricted net assets of (\$20,772), a decrease in the deficit of \$880,506 from the prior year on the Government-Wide Financial Statements, and a surplus fund balance of \$511,783, an increase of \$797,281 from the prior year deficit balance on the Fund Financial Statements.

The following is the three year trend information of financial condition of the Authority:

Government-Wide Financial Statements

	Total Net Assets (Deficit)	Change \$	Unrestricted Net Assets	Change \$	Change in Net Assets	Change \$
2008	\$ 1,749,375		\$ 195,616		\$ (898,861)	
2009	812,584	\$ (936,791)	(901,278)	\$ (1,096,894)	(936,791)	\$ (37,930)
2010	1,571,566	\$ 758,982	(20,772)	\$ 880,506	758,982	\$ 1,695,773

Fund Financial Statements

	Total Fund Balance (Deficit)	Change \$
2008	\$ 406,668	
2009	(285,498)	\$ (692,166)
2010	511,783	\$ 797,281

The Authority has improved its financial condition significantly from the prior fiscal year. Whereas fiscal year 2009 saw a huge drop in the Authority's total net assets of \$936,791, fiscal year 2010 saw an increase of \$758,982 in total net assets. Similarly, whereas the Authority had a decrease in the fund balance of \$692,166 for fiscal year 2009, it saw an increase of \$797,281 for fiscal year 2010. This improvement in net assets and fund balances reduces the uncertainties regarding the Authority's ability to conduct future operations.

Per Management, during fiscal 2009-10, the Authority continued certain procedures to improve its fund balance, including reductions in operating expenses which are anticipated to continue for the next few years.

Management estimates that the Authority will also end fiscal year 2010-11 with a positive fund balance based on its current budget. Per Management, the Authority is not anticipating that revenues will increase significantly in fiscal year 2010-11; however, according to Management, the Authority has taken steps to contain expenses and this action is expected to improve the Authority's financial condition.

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REQUIRED SUPPLEMENTARY INFORMATION

Santa Cruz Public Libraries
Required Supplementary Information
For the year ended June 30, 2010

1. BUDGETARY BASIS OF ACCOUNTING

An annual budget is adopted by the Authority on or before June 30 for the fiscal year beginning July 1. The annual budget process begins in February with a public hearing, at which time the Board considers service and budget priorities for the following year. The Director of Libraries then prepares a proposed budget, based upon the service priorities and revenue estimates. The proposed budget is made available to the public for review prior to a public hearing in May of each year. At this hearing, the Board can request supplemental information from the Director of Libraries. This supplemental information, plus an update on available financing for the Library System is presented to the Board for review prior to final budget adoption.

Administratively, the Authority's budget is managed under the policies and procedures of the City. The Director of Libraries is authorized to approve appropriation transfers up to a specified amount; however, any new appropriation requires approval by the Authority Board. Several supplemental appropriations that were necessary during the year are reflected in the final budgeted amounts. Expenditures may not legally exceed appropriations at the department level.

All annual operating appropriations lapse at fiscal year end, except for amounts legally encumbered at year end. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in governmental fund types. Encumbrances outstanding at year-end are reported as reservation of fund balances since they do not constitute expenditures or liabilities, and re-appropriations in the subsequent year provide authority to complete these transactions as expenditures.

In addition, project-length (or non-lapsing) budgets are adopted for capital improvements and other projects, and grant-funded projects or programs that may not be completed within the fiscal year during which the budget appropriation for the project or program originates. Under these circumstances, the appropriation continues until project or program completion, or unless the appropriation is subsequently amended or rescinded by the Authority Board.

Budgets are adopted each year for the General Fund. This budget is prepared on a basis consistent with GAAP.

Santa Cruz Public Libraries
Required Supplementary Information
For the year ended June 30, 2010

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 5,612,255	\$ 5,612,255	\$ 5,383,555	\$ (228,700)
Intergovernmental	5,251,531	5,254,031	5,216,027	(38,004)
Charges for services	38,890	18,890	14,304	(4,586)
Fines and forfeitures	320,000	340,000	246,375	(93,625)
Use of money and property	3,871	3,871	(591)	(4,462)
Other revenues	91,755	188,389	208,746	20,357
Total revenues	11,318,302	11,417,436	11,068,416	(349,020)
EXPENDITURES:				
Current:				
Personnel services	7,549,316	7,549,316	7,517,716	31,600
Services, supplies, and other charges	3,196,089	3,271,228	2,621,223	650,005
Debt service:				
Principal	79,315	79,315	79,303	12
Interest	50,008	50,008	25,440	24,568
Capital outlay	-	27,995	27,978	17
Total expenditures	10,874,728	10,977,862	10,271,660	706,202
REVENUES OVER (UNDER) EXPENDITURES	443,574	439,574	796,756	357,182
OTHER FINANCING SOURCES (USES):				
Sale of surplus equipment	-	-	525	525
Transfers in	-	18,018	18,018	-
Transfers out	-	-	(18,018)	(18,018)
Total other financing sources (uses)	-	18,018	525	(17,493)
NET CHANGE IN FUND BALANCE	443,574	457,592	797,281	339,689
BUDGETARY FUND BALANCES:				
Beginning of year	(285,498)	(285,498)	(285,498)	-
End of year	\$ 158,076	\$ 172,094	\$ 511,783	\$ 339,689

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SUPPLEMENTARY INFORMATION

Santa Cruz Public Libraries
Combining Balance Sheet
Library Operating Funds*
June 30, 2010

	Library Operating Funds					Total Library Operating Funds
	Library JPA Operating	Contingency Reserve	Technology Reserve	Capital Projects Reserve	Felton Branch Reserve	
ASSETS						
Cash and cash equivalents	\$ 119,794	\$ 9,434	\$ 4,767	\$ 470	\$ 1,140	\$ 135,605
Interest receivable	1,126	25	13	1	3	1,168
Taxes receivable	500,706	-	-	-	-	500,706
Accounts receivable	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
Due from other governments	398,621	-	-	-	-	398,621
Total assets	\$ 1,020,247	\$ 9,459	\$ 4,780	\$ 471	\$ 1,143	\$ 1,036,100
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	\$ 510,687	\$ -	\$ -	\$ -	\$ -	510,687
Due to City of Santa Cruz	-	-	-	-	-	-
Deferred revenue	12,530	-	-	-	-	12,530
Deposits payable	1,100	-	-	-	-	1,100
Total liabilities	524,317	-	-	-	-	524,317
Fund Balances:						
Reserved	-	-	-	-	-	-
Unreserved:						
Designated:						
Contingencies	-	9,459	-	-	-	9,459
Technology upgrades	-	-	4,780	-	-	4,780
Capital projects	-	-	-	471	-	471
Felton Branch	-	-	-	-	1,143	1,143
Undesignated	495,930	-	-	-	-	495,930
Total fund balances	495,930	9,459	4,780	471	1,143	511,783
Total liabilities and fund balances	\$ 1,020,247	\$ 9,459	\$ 4,780	\$ 471	\$ 1,143	\$ 1,036,100

*The "Library Operating Funds" constitute sub-funds of the General Fund of the Santa Cruz Public Libraries Joint Powers Authority.

Santa Cruz Public Libraries
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Library Operating Funds*
For the year ended June 30, 2010

	Library Operating Funds					Total
	Library JPA Operating	Contingency Reserve	Technology Reserve	Capital Projects Reserve	Felton Branch Reserve	Library Operating Funds
REVENUES:						
Sales and use tax	\$ 5,383,555	\$ -	\$ -	\$ -	\$ -	5,383,555
Charges for services	12,099	-	-	-	-	12,099
Federal grants	5,667	-	-	-	-	5,667
State grants	76,212	-	-	-	-	76,212
Maintenance of effort	5,134,148	-	-	-	-	5,134,148
Room rentals	2,116	-	-	-	-	2,116
Interlibrary loan charges	89	-	-	-	-	89
Fines and forfeitures	246,375	-	-	-	-	246,375
Investment income	(555)	114	58	(18)	(190)	(591)
Contributions and donations	143,477	-	-	-	-	143,477
From private trusts	19,455	-	-	-	-	19,455
Other miscellaneous revenues	45,814	-	-	-	-	45,814
Total revenues	11,068,452	114	58	(18)	(190)	11,068,416
EXPENDITURES:						
Current:						
Personnel services	7,517,716	-	-	-	-	7,517,716
Services, supplies, and other charges	2,621,223	-	-	-	-	2,621,223
Debt service:						
Principal	79,303	-	-	-	-	79,303
Interest	25,440	-	-	-	-	25,440
Capital outlay	27,978	-	-	-	-	27,978
Total expenditures	10,271,660	-	-	-	-	10,271,660
REVENUES OVER (UNDER) EXPENDITURES	796,792	114	58	(18)	(190)	796,756
OTHER FINANCING SOURCES (USES):						
Sale of surplus equipment	525	-	-	-	-	525
Transfers in	18,018	-	-	-	-	18,018
Transfers out	-	-	-	-	(18,018)	(18,018)
Total other financing sources (uses)	18,543	-	-	-	(18,018)	525
Net change in fund balances	815,335	114	58	(18)	(18,208)	797,281
FUND BALANCES:						
Beginning of year	(319,405)	9,345	4,722	489	19,351	(285,498)
End of year	\$ 495,930	\$ 9,459	\$ 4,780	\$ 471	\$ 1,143	511,783

*The "Library Operating Funds" constitute sub-funds of the General Fund of the Santa Cruz Public Libraries Joint Powers Authority.

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