

**TO:** North County Library Authority (NCLA) Commission

**FROM:** Russell J. Morreale, Staff Liaison

**SUBJECT:** Election of North County Library Authority Commission Officers

**RECOMMENDATION:**

- a. Nominate and elect a member for the position of President
- b. Nominate and elect a member for the position of Vice President
- c. Nominate and elect a member for the position of Secretary
- d. Nominate and appoint a Treasurer/Auditor-Controller

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**BACKGROUND**

As required by the NCLA Bylaws and Norms and Procedures (Norms), the election of officers is to take place on an annual basis at the first meeting of the year – typically January of any one calendar year.

**DISCUSSION**

At this first meeting of 2013, the Commission holds elections for the positions of President, Vice President and Secretary from its body of members. Furthermore, the elected body should appoint a Treasurer /Auditor-Controller in support of financial and assigned administrative matters.

In 2013, there are two new appointed members, Los Altos Hills Representative - Courtenay C. Corrigan and Los Altos representative - Jan Pepper. These two members will now fill appointments left open with ended appointments of Jean Mordo and Ron Packard, respectively.

Name	Latest Appointment	Role
Ron Packard	-	President (expired)
Jim Lai	Mar 09	Vice President
Lenelle Smith	Feb 11	Secretary
Jean Mordo	-	Commissioner (expired)
Megan Satterlee	Feb 12	Commissioner
Russell Morreale	-	Treasurer/Auditor-Controller

Per the Joint Powers Agreement, Commissioners shall serve a maximum of four years and the terms shall be staggered. Per the Norms, the terms and duties of the various officers are defined as follows:

### **Election of President.**

The term of office shall be one year and until a successor is elected. The Member must have served at least 1 year to be eligible to be President. A majority vote is necessary to designate the President.

The President may be removed from office, for cause, by a 4/5ths affirmative vote of the Commissioners. The person is to be advised of the proposed cause for removal at least 72 hours before the action is taken.

### **2.3 Election of Vice-President.**

The term of office shall be one year and until a successor is elected. The role of the Vice-President shall be to act for the President whenever the President is unavailable to perform his or her duties. A majority vote is necessary to designate the Vice-President.

The Vice-President may be removed from office, for cause, by a 4/5 affirmative vote of the Commissioners. The person is to be advised of the proposed cause for removal at least 72 hours before the action is taken.

### **2.4 Election of Secretary.**

The term of office shall be one year and until a successor is elected. The role of the Secretary shall be to countersign all contracts on behalf of the Authority, keep minutes of the meeting and distribute them to each member and each member agency. A majority vote is necessary to designate the Secretary.

The Secretary may assign and delegate the minute taking and distribution process to one of its appointed members, appointed officers, employees, or City assigned staff-liaison based on a majority vote of all members.

The current NCLA norms and original JPA agreement can be viewed on the City of Los Altos website at <http://www.ci.los-altos.ca.us/committees-commissions/ncla/index.html>

**TO:** North County Library Authority (NCLA) Commission

**FROM:** Russell J. Morreale, Staff Liaison

**SUBJECT:** Commission member terms

**RECOMMENDATION:**

Review and confirm Commission member terms of service

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**BACKGROUND**

Per the Joint Powers Agreement, Commissioners shall serve a maximum of four years and the terms are to be staggered.

**DISCUSSION**

With the compilation of the new 2013 Commission members it is prudent to discuss the known term expiration dates of all members with the intent of aligning membership dates to ensure representation continuity.

Name	Appointed	Term Expiration
Jim Lai (Vice President)	-	At Large Representative
Lenelle Smith (Secretary)	Feb 11	2015
Courtenay C. Corrigan	Feb 13	2016 (council term date)
Jan Pepper	Jan 13	2016 (council term date)
Megan Satterlee	Feb 12	2016 (council term date)

Per the Joint Powers Agreement, Commissioners shall serve a maximum of four years and the terms shall be staggered. It is also important to note that NCLA term expiration dates are subordinate to Council term expiration dates for both the Los Altos and Los Altos Hills Council appointees.

## Agenda Item # 4

Minutes for the NCLA Special Meeting of July 20, 2012



## **NORTH COUNTY LIBRARY AUTHORITY COMMISSION SPECIAL MEETING MINUTES**

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**5:30 P.M., Wednesday, July 20, 2012  
City of Los Altos Council Chambers  
1 North San Antonio Road, Los Altos, California**

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### **Call to Order**

The meeting was called to order at 5:31 P.M.

### **Roll Call**

**Commissioners present:** Chair Ron Packard, Vice Chair Jean Mordo, Secretary Lenelle Smith, Megan Satterlee

**Commissioners absent:** Jim Lai with notice

**Also Present:** Russell Morreale, Los Altos Finance Director and Staff Liaison  
Jolie Houston, Legal Counsel  
Derek Wolfgram, Deputy County Librarian

### **Pledge of Allegiance**

The Pledge to the Flag was conducted

### **Public Comment**

None

### **Consent Items**

#### **1. Approval of Minutes**

With a first motion from Vice Chair Mordo and a second from Secretary Smith, the minutes of June 6, 2012 were approved with unanimous agreement.

### **Discussion**

#### **2. 2012-20132 GANN Spending Limit Calculation**

Liaison Morreale presented a need to adopt a correction to the original 2012/13 Gann spending limit calculation given new information rendered in the Los Altos budgetary process. The new calculations were submitted and adopted with a first motion from Commissioner Satterlee and a second from Secretary Smith

#### **3. Discussion of Shared Investment Management Services**

Liaison Morreale presented a follow up discussion on the matter of considering shared investment management services as part of the existing Los Altos contract with PFM consulting services.

Morreale shared with the group the challenge in this area as the size of the NCLA portfolio at the current time may not offset the management costs and cash flow requirements that are foundational to setting up a formal investment contract. After some discussion the group motioned to defer this discussion until the FY2013/14 budget process. With a first motion from Chair Packard and second from Vice Chair Mordo, the Commission concurred unanimously to defer this discussion and action until the upcoming budget cycle

**Commission Reports:**

None

**Adjournment**

The meeting was adjourned at approximately 5:58P.M. with general consensus

Respectfully Submitted,  
Russell J. Morreale  
Staff Liaison to the North County Library Authority Commission

**TO:** North County Library Authority (NCLA) Commission

**FROM:** Russell J. Morreale, Staff Liaison

**SUBJECT:** Review and Adoption of NCLA Norms

**RECOMMENDATION:**

- a. Review and update NCLA Norms
  - b. Approve a 2013 meeting calendar and set future dates
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**BACKGROUND:**

In 2010, the Commission adopted formal Norms and Procedures to assist in the meeting process and clarify the processes and responsibilities shared by all Commission members.

**DISCUSSION**

As a best practice, the NCLA Norms are reviewed and adopted on an annual basis to make sure that they remain relevant and current. This action most naturally is completed at the first meeting of the calendar year. As such, the latest Norms are attached for discussion, review and potential updating by the Commission.

In so far as the Norms do list meeting dates, the Commission can set 2013 dates as part of this action item.

Attachments:

- A. North County Library Authority ("NCLA"), NORMS AND PROCEDURES
- B. Original JPA Agreement

## Attachment A

North County Library Authority (“NCLA”), NORMS  
AND PROCEDURES (redline updates)



## North County Library Authority (“NCLA”)

### NORMS AND PROCEDURES

#### NCLA Members

~~\_\_\_\_\_ Ron Packard, President~~

----- Jim Lai, Vice President

Lenelle Smith, Secretary

Cortenay C Corrigan

~~Jean Mordo~~

Jan Pepper

Megan Satterlee

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## **SECTION 1. GENERAL**

- 1.1 Purpose. The purpose of these Norms and Procedures is to promote communication, understanding, fairness, and trust among the Commissioners of the North County Library Authority (“NCLA”) concerning their roles, responsibilities, and expectations for the management of the business of the NCLA.
- 1.2 Values. Respect for each Commissioner’s interpersonal style will be a standard of operation. Courtesy and respect for individual points of view will be practiced at all times. All Commissioners shall respect each other’s right to disagree. All Commissioners shall practice a high degree of decorum and courtesy. When addressing the public in any way, all Commissioners shall make certain their opinions are expressed solely as their own, and do not in any way necessarily reflect the opinions of any other Commissioners.
- 1.3 Ralph M. Brown Act. All conduct of the NCLA shall be in full compliance with the Ralph M. Brown Act.

## ***SECTION 2. PRESIDENT, VICE-PRESIDENT, AND SECRETARY SELECTION***

- 2.1 Reorganization. The reorganization of the NCLA shall occur during the first meeting after January 1 of each year.

- 2.2 Election of President.

The term of office shall be one year and until a successor is elected. The Member must have served at least 1 year to be eligible to be President. A majority vote is necessary to designate the President.

The President may be removed from office, for cause, by a 4/5ths affirmative vote of the Commissioners. The person is to be advised of the proposed cause for removal at least 72 hours before the action is taken.

- 2.3 Election of Vice-President.

The term of office shall be one year and until a successor is elected. The role of the Vice-President shall be to act for the President whenever the President is unavailable to perform his or her duties. A majority vote is necessary to designate the Vice-President.

The Vice-President may be removed from office, for cause, by a 4/5 affirmative vote of the Commissioners. The person is to be advised of the proposed cause for removal at least 72 hours before the action is taken.

- 2.4 Election of Secretary.

The term of office shall be one year and until a successor is elected. The role of the Secretary shall be to countersign all contracts on behalf of the Authority, keep minutes of the meeting and distribute them to each member and each member agency. A majority vote is necessary to designate the Secretary.

The Secretary may assign and delegate the minute taking and distribution process to one of its appointed members, appointed officers, employees, or City assigned staff-liaison based on a majority vote of all members.

The Secretary may be removed from office, for cause, by a 4/5 affirmative vote of the Commissioners. The person is to be advised of the proposed cause for removal at least 72 hours before the action is taken.

### ***SECTION 3. ADMINISTRATIVE APPOINTMENTS***

#### **3.1 Administrative Officer:**

The Commission may appoint and employ an Administrative Officer or any acting Administrative Officer who shall perform such duties as maybe imposed by the Commission and who shall report to the Commission in accordance with such rules and regulations as the Commission may adopt

#### **3.2 Treasurer:**

The Commission shall appoint one of its members or employees, other than the Administrative Officer, as Treasurer of the Agency to be the depositary and have custody of all the money of the Agency from whatever source.

#### **3.3 Auditor-Controller:**

The Commission shall appoint one of its members or employees, other than the Administrative Officer, as Auditor-Controller of the Agency to draw warrants to pay demands against the Agency when the demands have been approved by the Commission. The same officer or employee may be appointed as both Treasurer and Auditor-Controller and the Treasurer and Auditor-Controller shall have the duties and obligations set forth in Section 6505.5 and 6505.6 of

### ***SECTION 4. ADMINISTRATIVE MATTERS***

4.1 Attendance. Commissioners acknowledge that attendance at lawful meetings of the NCLA is part of their official duty. Commissioners shall make a good faith effort to attend all such meetings unless unable. Commissioners will notify the President if they will be absent from a meeting.

4.2 Correspondence. Proposed correspondence from an individual Commissioner related to NCLA business shall be sent to all Commissioners in draft form prior to release. Absent any objection, the letter may be mailed. If there is any objection, the originator of the letter may have it placed on a future agenda for discussion as to whether or not the letter is to be released.

4.3 Ethics Training. All Commissioners shall receive at least two hours of ethics training in general ethics principles and ethics laws relevant to his or her public service every two years. New Commissioners must receive this training within their first year of service. Commissioners shall attend training sessions that are offered locally in the immediate vicinity of Santa Clara County.

An individual who serves on multiple legislative bodies need only receive two hours of ethics training every two years to satisfy this requirement for all applicable public service positions.

### ***SECTION 5. MEETINGS***

- 5.1 Open to Public. All meetings of the NCLA whether regular, special, or study sessions, shall be open to the public. All meetings shall be noticed as required to allow action to be taken by the NCLA.
- 5.2 Regular Meetings. The NCLA shall conduct its regular meetings at the time and place noted on the agenda. The regular meetings are scheduled for the 3<sup>rd</sup> Tuesday in January and May.
- 5.3 Special Meetings. A special meeting may be called at any time by the President, or by three Commissioners notifying the staff liaison independently. Notice of the meeting must be given in accordance with law.
- 5.4 Quorum. Three (3) Commissioners of the NCLA shall constitute a quorum and shall be sufficient to transact business. If less than three Commissioners appear at a regular meeting, the President, Vice-President in the absence of the President, any Commissioner in the absence of the President and Vice-President shall adjourn the meeting to a stated day and hour.
- 5.5 Minutes. The assigned staff liaison for NCLA shall prepare minutes of all public meetings of the NCLA, as delegated by the Secretary per section 2.4 above.

#### ***SECTION 6. POSTING NOTICE AND AGENDA***

- 6.1 Posting of Notice and Agenda. For every regular or special meeting, the staff liaison for NCLA, or other authorized person, shall post a notice of the meeting, specifying the time and place at which the meeting will be held, and an agenda containing a brief description of all items of business to be discussed at the meeting. This notice and agenda may be combined in a single document. Posting is to be according to law.
- 6.2 Location of Posting. The notice and agenda shall be posted at the City Hall of Los Altos, the Los Altos Main Branch Library, or such other place where the public has unrestricted access during at least normal business hours and where the notice and agenda are not likely to be removed or obscured by other posted material.

#### ***SECTION 7. AGENDA CONTENTS***

- 7.1 President's Responsibility. The President is responsible for running a timely and orderly meeting. The President in consultation with the staff representative from the City of Los Altos shall organize the agenda.
- 7.2 Description of Matters. All items of business to be discussed at a meeting of the NCLA shall be briefly described on the agenda. The description should set forth the proposed action to be considered so that members of the public will know the nature of the action under review and consideration.
- 7.3 Availability of the Agenda to the Public. The agenda for any regular or special meeting shall be made available to the general public as soon as it is practical after delivery to the Commissioners of the NCLA.
- 7.4 Limitation to Act on Only Items on the Agenda. No action shall be taken by the NCLA on any item not on the posted agenda, subject only to the exceptions listed below:
  - A. Upon a majority determination that an "emergency situation" (as defined by State Law) exists; and
  - B. Upon determination by a 4/5 vote of the full NCLA, or a unanimous vote if less than a full membership, that there is a need to take immediate action and that the need to take the action came to the attention of the NCLA subsequent to posting of the agenda.

- 7.5 Agenda Items. Any two members of the NCLA may have any matter that can be legally agendized placed on the agenda of the NCLA by requesting the same of to the President or the Secretary, and/or his/her designee.

## ***SECTION 8. PROCEDURES FOR THE CONDUCT OF PUBLIC MEETINGS***

### **8.1 Role of President.**

- A. The President shall be responsible for maintaining the order and decorum of meetings. It shall be the duty and responsibility of the President to ensure that the rules of operation and decorum contained herein are observed.
- B. Communication with Commissioners
  - 1. Commissioners shall request the floor from the President before speaking.
  - 2. When one member has the floor and is speaking, other Commissioners shall not interrupt or otherwise disturb the speaker.

### **8.2 Rules of Order.** The NCLA adopts no specific rules of order except those listed herein. The NCLA shall refer to *Rosenberg's Rules of Order*, with the following addendums as a guide for the conduct of meetings:

- A. A motion is not required prior to a general discussion on an agenda item. A pre-motion discussion allows the Commissioners to share their thoughts on the agendized item so that a motion can more easily be made that takes into account what appears to be the majority position.
- B. All motions, except nominations, require a second.
- C. A motion may be amended at the request of the maker and the consent of the person who seconded the motion. Such a procedure is often used to accommodate concerns expressed by other Commissioners.
- D. A motion to amend may still be used

### **8.3 Public Comment.** During each meeting, there shall be an opportunity for members of the public to address the Commissioners on any subject not on the agenda.

### **8.4 Tie Votes:** Tie votes shall be lost motions.

### **8.5 Discussion.**

#### **A. Relevancy of Discussion.**

All discussion must be relevant to the issue before the NCLA. Commissioners shall avoid repetition and strive to move the discussion along.

A motion, its nature, or consequences, may be attacked vigorously. It is never permissible to attack the motives, character, or personality of a member either directly or by innuendo or implication. It is the duty of the President to instantly rule out of order any Member who engages in personal attacks. It is the motion, not its proposer that is subject to debate.

Arguments, for or against a measure, should be stated as concisely as possible.

It is the responsibility of each Commissioner to maintain an open mind on all issues during discussion and deliberation.

It is not necessary for all Commissioners to speak or give their viewpoints.

B. President's Duties During Discussion.

The President has the responsibility of controlling and expediting the discussion. A Member who has been recognized to speak on a question has a right to the undivided attention of the other Commissioners.

It is the duty of the President to keep the subject clearly before the Commissioners, to rule out irrelevant discussion, and to restate the question whenever necessary.

***SECTION 9. DECORUM***

9.1 Commissioners. Commissioners of the NCLA value and recognize the importance of the trust invested in them by the public to accomplish the business of the NCLA. Commissioners shall accord the utmost courtesy to each other, to staff, and to the public appearing before the NCLA.

9.2 Public. Members of the public attending NCLA meetings shall observe the same rules of order and decorum applicable to the NCLA.

***SECTION 9. VIOLATIONS OF PROCEDURES***

Nothing in these Norms and Procedures shall invalidate a properly noticed and acted upon action of the NCLA in accordance with State Law.

This document shall remain in effect until modified by the NCLA.

| APPROVED on February 04~~22~~, 2013~~0~~:

\_\_\_\_\_  
Jim Lai

\_\_\_\_\_  
Roy Lave,

\_\_\_\_\_  
Jean Mordo, Vice-President

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Ronald D. Packard, Secretary

\_\_\_\_\_  
Megan Satterlee, President

Attachment B

Original JPA Agreement



NORTH COUNTY LIBRARY AUTHORITY  
JOINT EXERCISE OF POWERS AGREEMENT

THIS AGREEMENT, dated for convenience as of August 1, 1985, by and between the City of Los Altos, a municipal corporation and the Town of Los Altos Hills, a municipal corporation, both situated in the County of Santa Clara, State of California.

R E C I T A L S

WHEREAS, it will enhance the general welfare and be to the cultural advantage of the inhabitants of each of the parties hereto to provide for the acquisition, operation, maintenance and support of certain public library facilities and the expansion of certain public library activities in connection with the two branch libraries located in the City of Los Altos which are currently being operated by the County of Santa Clara, to the end that the hours of library service may be extended through additional funding to be raised via the levy of special taxes and or charges to be imposed by the proposed Library Commission;

WHEREAS, the parties hereto possess the common power to aid in the provision of increased public library services and functions for the benefit of their respective inhabitants and to provide for solutions to related problems which are of direct concern to the parties hereto in the performance of their constitutional and statutory functions, and to join associations and expend public funds for such purposes, including funds contributed by the parties to this agreement or by any person or any subventions or grants which may be obtained from the federal and/or state governments;

NOW, THEREFORE, in consideration of the mutual terms, covenants and conditions herein contained, said parties, acting by and through their respective governing bodies, do hereby agree as follows:

Section 1. Definition of Terms.

"ACT" means the provisions of Chapter 5 of Division 7 of Title 1 of the Government Code (commencing with Section 6500) pertaining to joint powers agreements.

"AGENCY" means the North County Library Authority.

"COMMISSION" means the governing board of the North County Library Authority.

"MEMBER ENTITY" means any city party to this agreement.

Section 2. Creation of Agency. There is hereby created a public agency to be known as the "North County Library Authority". The Agency is formed by this Agreement pursuant to the provisions of Article 1, Chapter 5, Division 7, Title 1 of the Government Code of the State of California relating to the joint exercise of powers common to public agencies. For the purposes of this Agreement, the Agency is a public agency separate from the parties hereto and shall be the agency to administer or execute this Agreement.

Section 3. Purpose. The purpose of this Agreement is to create an agency which will plan, support, acquire, maintain and operate programs and facilities for the extension of public library services for the benefit of the inhabitants within the collective boundaries of the Member Entities.

Section 4. Term and Effect. This Agreement shall become effective when all eligible Member Entities have approved and authorized its execution by their respective governing bodies and shall

continue in full force and effect until such time as the parties agree in writing to terminate the same.

Section 5. Powers. The Agency shall have the power and authority to plan, support, acquire, construct, maintain and operate programs and facilities for the augmentation of public library services for the benefit of the inhabitants of the Member Entities.

The Agency is hereby authorized, in its own name, to do all acts necessary to exercise said power for said purposes, including but not limited to any or all of the following: to make and enter into contracts; apply for and accept grants, advances, and contributions; to employ agents, consultants and employees; to acquire, construct, manage, maintain and operate any buildings, works or improvements; to acquire, hold or dispose of property (real and personal), including but not limited to books, tapes, records, furniture, furnishings and equipment; to sue and be sued in its own name; to conduct elections; to incur debts, liabilities, or obligations; to levy special taxes and/or service charges including but not limited to the power to levy charges and/or to seek approval for the levy of a special tax pursuant to the provisions of the Mello-Roos Community Facilities Act of 1982; to issue revenue bonds, notes, warrants, and other evidences of indebtedness to finance the costs and incidental expenses of the projects of the Agency; to exercise all powers conferred by the Act; and to exercise all other powers common to the Member Entities not herein specifically mentioned which may be necessary to carry out the purpose of this Agreement.

No debt, liability or obligation of the Agency shall constitute a debt, liability or obligation of any Member Entity.

Section 6. Governing Body of the Agency. The Agency shall be governed by the North County Library Commission.

The Commission shall consist of five members each of whom shall have one vote. Each Member Entity shall appoint two commissioners as its representatives on the Commission. A fifth Commissioner shall be appointed by the Los Altos Library Commission. Each Commissioner shall serve for a term of four years, except the first appointees, who shall classify themselves by lot so that two of them shall hold office for two years from the date of organization and three of them shall hold office for four years from the date of organization.

Section 7. Officers and Duties. A President, a Vice-President and a Secretary shall be elected by the Commission from its own members, the term of office for each such office to be one year and until a successor is elected to such office.

The President shall sign all contracts on behalf of the Agency and perform such other duties as may be imposed by the Commission. The Vice-President shall act in the absence of the president. The Secretary shall countersign all contracts on behalf of the Agency; perform such other duties as may be imposed by the Commission; and keep minutes of all meetings and cause a copy of the minutes to be forwarded to each of the members of the Commission and each of the Member Agencies.

The Commission may appoint and employ an Administrative Officer or any acting Administrative Officer who shall perform such duties as may be imposed by the Commission and who shall report to the Commission in accordance with such rules and regulations as the Commission may adopt.

In the absence of an Administrative Officer, the President shall perform the duties of the Administrative Officer.

The Commission shall appoint one of its members or employees, other than the Administrative Officer, as Treasurer of the Agency to be the depository and have custody of all the money of the Agency from whatever source. The Commission shall appoint one of its members or employees, other than the Administrative Officer, as Auditor-Controller of the Agency to draw warrants to pay demands against the Agency when the demands have been approved by the Commission. The same officer or employee may be appointed as both Treasurer and Auditor-Controller and the Treasurer and Auditor-Controller shall have the duties and obligations set forth in Section 6505.5 and 6505.6 of the Government Code of the State of California.

Section 8. Duties of the Commission. The duties of the Commission shall be:

(a) To make all policy decisions and exercise all of the powers of the Agency;

(b) To submit full and regular reports to the Member Entities; and

(c) To adopt from time to time such rules and regulations for the conduct of its affairs as may be required.

The members of the Commission shall receive no compensation except as may be provided by the respective Member Entities which they represent.

Section 9. Meetings of the Commission. Regular meetings of the Commission shall be held at such time and place as shall be established by the Commission by resolution.

All meetings of the Commission including regular, adjourned regular and special meetings, shall be called, noticed, held and conducted in accordance with the provisions of the Ralph M. Brown Act, Sections 54950 et seq of the Government Code of the State of California.

Section 10. Quorum. A majority of the members of the Commission shall constitute a quorum. Any action of the Agency shall require the affirmative vote of a majority of the entire membership of the Commission.

Section 11. Accountability of Funds, Reports and Audits. There shall be strict accountability of all funds and a report of all receipts and disbursements of the Agency. The auditor-controller of the Agency shall cause annual audits of the accounts and records of the Agency to be prepared in accordance with the requirements contained in Section 6505 of the Government Code of the State of California. Should the Agency terminate prior to the expiration of any fiscal year, the auditor-controller shall cause a final audit of the accounts and records of the agency to be prepared. The fiscal year of the Agency shall terminate June 30th of each year. The Agency shall establish and maintain all necessary funds and accounts which shall be open to inspection at all reasonable times.

Section 12. Bonding Persons Having Access to Property. Officers or person or persons who have charge of, handle or have access to any money of the Agency, shall be required to file an official bond with the Agency in such amount as may be established by the Commission. Should an existing bond of any of said officer or officers or person or persons be extended to cover the obligation provided herein, said bond

shall be the official bond of said officers or officer or person or persons required to be posted herein. The premium of any such bond or bonds shall be an appropriate expense of the Agency. Any payment to the treasurer or auditor-controller required in the operation of the Agency shall be an appropriate charge against the Agency.

The administrative Officer shall have the responsibility of any and all property of Agency and shall indicate approval of all claims and demands for the disbursement of Agency funds prior to submittal of said claims and demands to the Commission for approval.

The City of Los Altos shall provide staff and basic services at no cost to the Agency. All costs and expenses of an outside nature such as auditing, legal, consultants or the like, shall be apportioned equally among the Member Entities.

Section 13. Bonds. The Agency shall have power and authority to issue and sell revenue bonds in accordance with the following:

(a) Article 2, Chapter 5, Division 7, Title 1 of the Government Code, commencing with Section 6540; and

(b) Chapter 6, Division 2, Title 5 of the Government Code, commencing with Section 54300.

The Agency shall have and exercise all powers conferred on "local agencies" by the provisions of the law with respect to revenue bonds mentioned in (a) and (b) of this section.

Section 14. Elections. For purposes of conducting elections and voting on an Agency-wide basis, the boundaries of the Agency shall be the consolidated boundaries of its Member Entities. All elections shall be conducted pursuant to the Uniform District Election Law and applicable provisions of the Elections Code of the State of California.

Section 15. Operating Fund. An operating fund shall be established and maintained which shall be used to pay all administrative and incidental expenses incurred by the Agency. Revenues for the operating fund shall be derived from the levy and collection of special taxes and/or service charges, contributions from member entities, contributions from the public, grants and subventions, and any other lawful source.

Section 16. Settlement of Disputes. If a dispute arises as to the construction, interpretation or implementation of any provision of this Agreement, the issues in dispute or matter requiring action shall be submitted to binding arbitration. For such purpose, and agreed arbitrator shall be selected by all members of the Commission, or in the absence of unanimous agreement, the Commission, by majority vote, shall select an arbitrator and the members of the Commission in dissent shall select an arbitrator. The two arbitrators so selected shall select a third arbitrator. The arbitrator, or three arbitrators acting as a panel, shall proceed to arbitrate the matter in accordance with the provisions of Title 9 of Part 3 of the Code of Civil Procedure.

Section 17. Withdrawal or Dissolution. Upon withdrawal of a Member Entity from the Agency or upon dissolution of the Agency, there shall be partial or complete distribution of assets and discharge of liabilities as follows:

(a) Withdrawal. A Member Entity may withdraw from the Agency only with the unanimous consent of the remaining Member Entities and upon mutually agreeable terms and conditions. Upon withdrawal of any Member Entity from the Agency, the withdrawing Member Entity shall receive its proportionate share of the assets of the Agency and shall



contribute its proportionate share toward discharge of any enforceable liabilities incurred by the Agency as the same appear on the books of the Agency.

(b) Dissolution. Upon dissolution of the Agency, each member Entity shall receive its proportionate share of the assets of the Agency and shall contribute its proportionate share toward discharge of any enforceable liabilities incurred by the agency as the same appear on the books of the Agency.

The distribution of assets may be made in kind or assets may be sold and the proceeds thereof distributed to a Member Entity at the time of withdrawal or to all Member Entities at the time of dissolution, provided that all facilities and rights in facilities assigned or transferred by any Member Entity to the Agency shall be reconveyed to said Member Entity free and clear of all encumbrances and liens of any kind.

Upon withdrawal of a Member Entity from the Agency or upon dissolution of the Agency, the responsibility of the Member Entity or Members Entities to contribute to the discharge of enforceable liabilities incurred by the Agency shall be limited to the proportion that the contributions made by each Member Entity bears to the total contributions made by all of the Member Entities to the agency from the effective date of this Agreement to the date of withdrawal or dissolution.

Section 18. Miscellaneous. The section headings herein are for convenience only and are not to be construed as modifying or governing the language in the section referred to.

This Agreement is made in the State of California and under its Constitution and laws, and it is to be so construed.

To preserve a reasonable degree of flexibility, many parts of this Agreement are stated in general terms. It is understood that the Commission may from time to time adopt and implement rules and regulations to further define the rights and obligations of the Member Entities and of the Agency to carry out the purposes of this Agreement.

This Agreement may be amended in any particular, from time to time, by unanimous action of the Member Entities, provided, however, that no authority on which action has been taken by the Agency shall be limited or withdrawn.

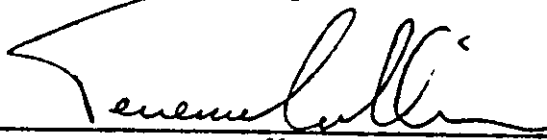
Section 19. Partial Invalidity. If any one or more of the terms, provisions, promises, covenants, or conditions of this Agreement shall to any extent be adjudged invalid, unenforceable, void, or voidable for any reason whatsoever by a court of competent jurisdiction, each and all of the remaining terms, provisions, promises, covenants, and conditions of this Agreement shall not be affected thereby, and shall be valid and enforceable to the fullest extent permitted by law.

Section 20. Successors. This Agreement shall be binding upon and shall inure to the benefit of the successors of the parties hereto.


Section 21. Effective Date. The effective date of this Agreement shall be August 1, 1985.

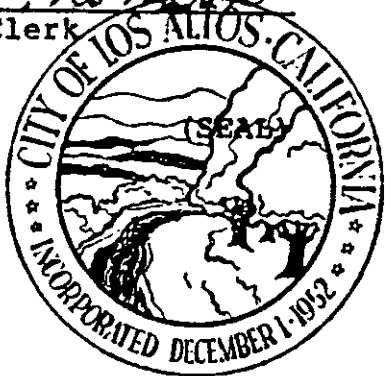
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

CITY OF LOS ALTOS,  
a municipal corporation

  
\_\_\_\_\_  
Mayor

ATTEST:

  
\_\_\_\_\_  
City Clerk



TOWN OF LOS ALTOS HILLS,  
a municipal corporation

  
\_\_\_\_\_  
Mayor

ATTEST:

  
\_\_\_\_\_  
Town Clerk

(SEAL)

**TO:** North County Library Authority (NCLA) Commission

**FROM:** Russell J. Morreale, Staff Liaison

**SUBJECT:** Los Altos/Los Altos Hills Library Services

**RECOMMENDATION:**

Receive a report from Santa Clara County Library System representatives

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**DISCUSSION**

Given the new make-up of the 2013 Commission, staff liaison Morreale asked the Santa Clara County Library representatives to provide a brief background of Library services for the City of Los Altos and the town of Los Altos Hills.

Deputy Librarian Derek Wolfgram and Los Altos Head Librarian Jane Cronkhite will provide a presentation and related materials.

**TO:** North County Library Authority (NCLA) Commission

**FROM:** Russell J. Morreale, Staff Liaison

**SUBJECT:** Financial Reports

**RECOMMENDATION:**

- a. Presentation of the results of the June 30, 2012 Comprehensive Annual Financial Report (CAFR)
- b. Review of the FY2012/13 fiscal year budget

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**BACKGROUND:**

On an annual basis, the financial records of the NCLA are independently audited as part of the City of Los Altos general audit contract. The results of the audit are shared with the NCLA Commission on an annual basis.

**DISCUSSION**

The City of Los Altos engaged new auditors for FY 2012/13. The attached report is presented as drafted by Burr, Pilgar Mayer (BPM). This audit year is noteworthy in that it represents a review by a team of auditors completely new to the City and NCLA.

It is noteworthy that the NCLA has again achieved an unqualified or “clean-opinion” with no findings. The attached report includes an executive summary, known as a Management Discussion and Analysis (MDA) providing an overview of the favorable financial results achieved.

Attachment:

Comprehensive Annual Financial Report for June 30, 2012

Attachment

Comprehensive Annual Financial Report for June 30, 2012

**NORTH COUNTY LIBRARY AUTHORITY  
LOS ALTOS, CALIFORNIA**

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**BASIC FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

Fiscal Year Ended June 30, 2012

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# NORTH COUNTY LIBRARY AUTHORITY

## BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
of the North County Library Authority  
Los Altos, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the North County Library Authority (the Authority) as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2012, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2013, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the Board of Directors  
of the North County Library Authority  
Los Altos, California  
Page Two

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 29 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Burr Pilger Mayer, Inc.*

San Jose, California  
January 28, 2013

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**North County Library Authority  
Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2012**

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The North County Library Authority (NCLA) prepares its financial statements using the financial reporting requirements prescribed by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The purpose of the Management's Discussion and Analysis (MD&A) is to provide users with a narrative introduction, overview, and analysis of the financial statements.

**FINANCIAL HIGHLIGHTS:**

- Net Assets is positive and has increased to \$1,042,567 at year end, an increase of nearly \$500,000 projected as part of the long term plan.
- The total liabilities have decreased by \$330,000 given the final retirement of principal of the Special Tax Bonds issued in 1991.
- Interest revenue continues to experience historic low levels of yield given persistent market conditions.
- On June 8, 2010, the voters of Los Altos and Los Altos Hills approved a renewal of the parcel tax at \$76 per parcel for a twenty year term. The measure received 77% support ensuring continued service levels at both Library branches. No issuance of debt was associated with this funding which is to be applied to library hours at both the Main Branch & Woodland, books, materials, programming and general purposes. This important measure allowed for the continued maintenance of augmented hours of operation and resulted in increased revenues of over \$300,000 per year. This places fund projections in good standing.
- Total salary and administration fell below last year's levels and were approximately \$21,000 under budget projections. The FY 2011/12 expenditures also reinstituted \$65,000 in book funding, an item that was deferred in the prior year. This being considered, operational expenditures were down significantly. With this level of expenditure, location service hours were maintained including annually updated County labor costs and the full standard books donation levels.
- In May 2005, Measure A was presented countywide to the voters and passed with 72% of the vote. The tax will continue the same level of funding as the prior tax with a slight increase through 2015 for those Santa Clara County cities participating in the Library Joint Powers Authority. This tax is expected to provide approximately \$5.4 million for the countywide Joint Powers Authority in annual revenue enabling the library to maintain countywide service levels comparable to prior years.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the NCLA's basic financial statements that include the Government-Wide Financial Statements and the Fund Financial Statements.

The ***Government-Wide Financial Statements*** are designed to provide readers with a broad overview of NCLA's finances, in a manner similar to a private-sector business. They are comprised of the *Statement of Net Assets* and the *Statement of Activities and Changes in Net Assets*.

The *Statement of Net Assets* provides information about NCLA's assets and liabilities, including all long-term obligations. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of NCLA is improving or deteriorating.

The *Statement of Activities and Changes in Net Assets* provides information showing how NCLA'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.

The ***Fund Financial Statements*** is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. NCLA's Fund Financial Statements contain only *Governmental Funds*.

Unlike the Government-Wide Financial Statements, the *Governmental Funds* focus on how money flows into and out of those funds and the balances remaining at year-end. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that are readily converted cash. The fund statements provide a detailed short-term view of NCLA's general operations and the basic services it provides. These statements do not include long-term assets or liabilities.

**GASB 54 Compliance:** This report marks the second and timely year of compliance with the provisions of Government Accounting Standard Board Statement No.54 (GASB 54). Council adopted an updated financial policy earlier this year reflective of this change, a significant one for the readers and users of our financial statements. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

<b><i>NCLA Net Assets</i></b>		
	<b>Government-Wide Activities</b>	
	<b>06/30/12</b>	<b>06/30/11</b>
<b>Current Assets</b>	<b>1,267,109</b>	<b>1,138,027</b>
Current Liabilities	233,542	576,391
<b>Total Liabilities</b>	<b>233,542</b>	<b>576,391</b>
Net Assets Restricted for Debt Service	0	338,663
Unrestricted Net Assets	1,042,567	224,365
<b>Total Net Assets</b>	<b>1,042,567</b>	<b>563,028</b>

Total Net Assets was \$1,042,567 at the end of this fiscal year, a significant gain over the prior year given expenses coming in under budget, the absence of debt service and the renewal of the 2010 \$76 parcel tax. This improvement in fiscal metrics is in line with long term projections constructed in the budgetary planning process. NCLA has the authority to continue to levy the special parcel tax annually in accordance with its mission to support library services in Los Altos and Los Altos Hills.

FY 2011-2012 marks the final year with activity in the debt service fund with the retirement of debt.

***NCLA Activities & Changes in Net Assets***

	<b>Government Wide Activities</b>	
	<b>06/30/12</b>	<b>06/30/11</b>
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for Services	1,029,885	1,034,625
<b>General Revenues</b>		
Interest Income	<u>1,420</u>	<u>5,239</u>
<b>Total Revenues</b>	<b>1,031,305</b>	<b>1,039,864</b>
<b>Expenses</b>		
Administration and Community Services	550,325	566,542
Interest on Long-Term Activities	1,441	19,424
<b>Total Expenses</b>	<b>551,766</b>	<b>585,966</b>
<b>Change in Net Assets</b>	<b>479,539</b>	<b>453,898</b>
<b>Beginning Net Assets</b>	<b>563,028</b>	<b>109,130</b>
<b>Ending Net Asset</b>	<b>1,042,567</b>	<b>563,028</b>

Program revenue reflect the new parcel tax base while the total expenses have remained stable and in compliance with budgetary limits.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- With the expiration of the legacy per parcel tax and its renewal at a maximum level of \$76, NCLA's revenue is projected to sustain twenty years of continued expanded levels of service. Final bond debt service requirements have been funded in full and new assessments are adequate to fund future operations over the long term. In so far as NCLA labor costs are derived from County services, the implementation of cost control measures at the County level, as noted this year in the operating results, remains a key assumption.
- NCLA will continue to supplement funding to provide an additional 14 operational hours per week at the Central Library and, in the current year, has increased hours at the Woodland library to 19 hours of additional service. In the fiscal year 2012-2013 budget, NCLA maintained its book budget contribution to \$65,000 and adjusted its operational budget to reflect cost savings brought forward by the Santa Clara County Library System.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of NCLA's finances for all those who are interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the North County Library Authority, One North San Antonio Road, Los Altos, CA 94022.

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## **BASIC FINANCIAL STATEMENTS**

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## **GOVERNMENTS-WIDE FINANCIAL STATEMENTS**

# **NORTH COUNTY LIBRARY AUTHORITY**

## **STATEMENT OF NET ASSETS**

June 30, 2012

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 1,275,527
Interest receivable	<u>582</u>
Total assets	<u>1,276,109</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	<u>233,542</u>
Total liabilities	<u>233,542</u>
<b>NET ASSETS</b>	
Unrestricted	<u>1,042,567</u>
Total net assets	<u><u>\$ 1,042,567</u></u>

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

**NORTH COUNTY LIBRARY AUTHORITY**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**

Fiscal year ended June 30, 2012

		Program Revenues	Net (Expense) Revenue and Change in Net Assets
	Expenses	Charges for Services	Governmental Activities
Primary government:			
Governmental activities:			
Administration and community services	\$ 550,325	\$ 1,029,885	\$ 479,560
Interest on debt	1,441	-	(1,441)
Total governmental activities	<u>\$ 551,766</u>	<u>\$ 1,029,885</u>	<u>478,119</u>
General revenues:			
Interest income			<u>1,420</u>
Total general revenues			<u>1,420</u>
Change in net assets			479,539
Net assets, beginning of year			<u>563,028</u>
Net assets, end of year			<u><u>\$ 1,042,567</u></u>

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

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## **FUND FINANCIAL STATEMENTS**

# NORTH COUNTY LIBRARY AUTHORITY

## GOVERNMENTAL FUNDS

### BALANCE SHEET

June 30, 2012

	General	Debt Service	Total
<b>ASSETS</b>			
Assets:			
Cash and investments	\$ 1,275,527	\$ -	\$ 1,275,527
Interest receivable	582	-	582
Total assets	<u>\$ 1,276,109</u>	<u>\$ -</u>	<u>\$ 1,276,109</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 233,542	\$ -	\$ 233,542
Total liabilities	<u>233,542</u>	<u>-</u>	<u>233,542</u>
Fund balances:			
Unassigned	<u>1,042,567</u>	<u>-</u>	<u>1,042,567</u>
Total fund balances	<u>1,042,567</u>	<u>-</u>	<u>1,042,567</u>
Total liabilities and fund balances	<u>\$ 1,276,109</u>	<u>\$ -</u>	<u>\$ 1,276,109</u>

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



**NORTH COUNTY LIBRARY AUTHORITY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

June 30, 2012  

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Fund balances of governmental funds	\$ 1,042,567
No reconciling items	<hr/> -
Net assets of governmental activities	<hr/> <u>\$ 1,042,567</u>

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

# NORTH COUNTY LIBRARY AUTHORITY

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Fiscal year ended June 30, 2012

	General	Debt Service	Total
Revenues:			
Taxes and special assessments	\$ 1,029,885	\$ -	\$ 1,029,885
Interest	392	1,028	1,420
	<hr/>	<hr/>	<hr/>
Total revenues	1,030,277	1,028	1,031,305
	<hr/>	<hr/>	<hr/>
Expenditures:			
Operations:			
Salaries and wages	464,271	-	464,271
Miscellaneous	86,054	-	86,054
Debt service:			
Principal payments	-	330,000	330,000
Interest and fiscal charges	-	8,660	8,660
	<hr/>	<hr/>	<hr/>
Total expenditures	550,325	338,660	888,985
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over (under) expenditures	479,952	(337,632)	142,320
	<hr/>	<hr/>	<hr/>
Other financings sources (uses):			
Transfers in	-	330,815	330,815
Transfers out	(330,815)	-	(330,815)
	<hr/>	<hr/>	<hr/>
Total other financing sources and uses	(330,815)	330,815	-
	<hr/>	<hr/>	<hr/>
Net change in fund balances	149,137	(6,817)	142,320
	<hr/>	<hr/>	<hr/>
Fund balances, beginning of year	893,430	6,817	900,247
	<hr/>	<hr/>	<hr/>
Fund balances, end of year	\$ 1,042,567	\$ -	\$ 1,042,567
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

# **NORTH COUNTY LIBRARY AUTHORITY**

## **RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**

Fiscal year ended June 30, 2012

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	<u>Governmental Activities</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 142,320
Amounts reported for governmental activities in the statement of activities are different because:	
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the government-wide statement of net assets.	330,000
Interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but it does not require the use of current financial resources. Therefore, interest expense was not reported as an expenditure in governmental funds. The following amount represents the change in accrued interest from the prior year.	<u>7,219</u>
Change in net assets	<u><u>\$ 479,539</u></u>

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

# NORTH COUNTY LIBRARY AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

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### 1. Summary of Significant Accounting Policies

#### ***(a) Reporting Entity***

The North County Library Authority (Authority), formed in 1985 by a joint exercise of powers agreement between the City of Los Altos (City) and the Town of Los Altos Hills, provides library services for member residents. The Authority was created to provide financing for capital improvements and additional services by the public libraries serving the area. Although the City owns the libraries and their sites, the County of Santa Clara (County) is responsible for all library operations. However, since 1991, the Authority has levied a voter approved special parcel tax to compensate for service reductions due to cutbacks by the County. The special tax has been collected by the County, transferred to the City, on behalf of the Authority, and then transferred back to the County for the specifically requested services provided by the libraries within the Authority's service area. The City performs administrative and accounting services for the Authority.

#### ***(b) Measurement Focus, Basis of Accounting and Basis of Presentation***

##### **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.

These 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 long-term liabilities, are included in the accompanying statement of net assets. The statement of activities and changes in net assets 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.

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

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, in regard to interfund activities, payables and receivables. All internal balances in the statement of net assets are eliminated when applicable.

##### **Governmental Fund Financial Statements**

##### ***Description of Funds***

The accounts of the Authority are organized and operated on the basis of funds, each of which is defined as separate fiscal and accounting entity with a self-balancing set of accounts. These funds are established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

# NORTH COUNTY LIBRARY AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

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### 1. Summary of Significant Accounting Policies, continued

#### *(b) Measurement Focus, Basis of Accounting and Basis of Presentation, continued*

##### **Governmental Fund Financial Statements, continued**

In accordance with Authority's adopted policies and budget, different types of funds are used to record the Authority's financial transactions. For financial reporting purposes, the Authority's funds are presented as follows:

##### ***Governmental Fund Types:***

***General Fund*** - The purpose of this fund is to account for all financial resources except those required to be accounted for in another fund. The general fund is required to be presented as a major fund.

***Debt Service Fund*** - The purpose of this fund is to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Due to its significance, the fund is presented as a major fund.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for on a "current financial resource" measurement focus. Accordingly, only current assets and current liabilities are generally included on the balance sheet. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All governmental fund types are accounted for using the modified accrual basis of accounting, wherein revenues are recognized in the accounting period in which they become measurable and available to pay liabilities of the current period. Measurable means the amount of the transaction can be determined and available means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Revenues considered susceptible to accrual include property taxes (generally due within 60 days), charges for services, federal and state grants and interest. Expenditures, are recognized in the accounting period in which the fund liability is incurred, if measurable, except for principle and interest on general long-term debt which is recognized when due.

#### *(c) Assets, Liabilities and Equity*

##### **Cash and Investments**

The Authority pools cash resources from all funds in order to facilitate the management of cash and achieve the goal of obtaining the highest yield with the greatest safety and least risk. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements may be invested in various interest-bearing accounts and other investments for varying terms. The cash balance at June 30, 2012 is maintained in the City Treasury and the Local Agency Investment Fund (LAIF) of the State of California.

The Authority participates in an investment pool managed by the State of California, titled LAIF, which has invested a portion of the pool funds in structured notes and assets-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and assets-backed securities are subject to market risk as to change in interest risk.

# NORTH COUNTY LIBRARY AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

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### 1. Summary of Significant Accounting Policies, continued

#### *(c) Assets, Liabilities and Equity, continued*

##### **Investment Valuation**

Highly liquid money 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 in accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Market value is used as fair value for those securities for which market quotations are readily available.

#### *(d) Net Assets and Fund Balances*

##### **Government-Wide Financial Statements**

In the government-wide financial statements, net assets are classified in the following categories:

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

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

##### **Fund Financial Statements**

The Authority reclassifies fund balances into the following five categories to comply with the GASB No. 54, *Fund Balance and Governmental Fund Types*. Fund balance is defined as the difference between assets and liabilities.

***Nonspendable*** fund balances will include amounts that cannot be spent because they are either in nonspendable form or they are legally required to be maintained intact. Examples of nonspendable fund balances include inventory and prepaid items.

***Restricted*** fund balances will exist when constraints are placed on the use of those resources that are either externally imposed or imposed by law. In general, most reserve funds will fall into this category. The Authority reported no fund balances as restricted on the balance sheet of the governmental funds.

***Committed*** fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority (Governing Board or Council).

***Assigned*** fund balances will be amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted, nor committed. The intent can be made by either the governing body itself or a body or official to which the governing body has delegated the authority to (purchasing agent and business official). Appropriated fund balance and the majority of encumbrances will be reclassified into the assigned category. The Authority reported no fund balances as assigned on the balance sheet of the governmental funds.

***Unassigned*** fund balances will represent those funds that have not been assigned, committed, restricted or considered nonspendable. The general fund will be the only fund that will report an unassigned fund balance, unless a deficit fund balance resulting from overspending in other funds exist. Fund balance in other funds will either be assigned, committed, restricted or nonspendable unless the fund reports a deficit.

# NORTH COUNTY LIBRARY AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

### 1. Summary of Significant Accounting Policies, continued

#### *(e) Use of Estimates*

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

### 2. Cash and Investments

#### *(a) Summary of Cash and Investments*

The City is responsible as the fiduciary of the Authority to manage investments on behalf of the Authority. The investments made by the City Treasurer are limited to those allowable under state statutes as incorporated into the City's Investments Policy that is even more conservative than that allowed by State statute. The City's Investment Policy and the California Government Code allow for a variety of investments, which can be purchased and held.

Cash and investments as of June 30, 2012 consists of the following:

Cash pooled with City of Los Altos	\$ 620,066
Investments - LAIF	<u>655,461</u>
Total cash and investments	<u><u>\$ 1,275,527</u></u>

#### *(b) Investments*

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

Authorized Investment Type	Maximum Remaining Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None	None
U.S. Agency Securities	5 years	None	30%	None
Bankers' Acceptances	180 days	None	30%	30%
Commercial Paper	180 days	A1/P1/F1	15%	10%
Negotiable Certificates of Deposit	3 years	AA	50%	\$100,000
Repurchase Agreements	15 days	None	30%	None
Mutual Funds	N/A	AAAm	30%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None	None

# NORTH COUNTY LIBRARY AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

### 2. Cash and Investments, continued

#### (c) Risk Disclosures

##### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market rates. Typically, the Authority manages its exposure to interest rate risk by investing in LAIF and Money Market Mutual funds. The Authority monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Authority has no specific limitations with respect to this metric.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity In Years 1 year or less</u>
State Investment Pool	<u>\$ 620,066</u>	<u>\$ 620,066</u>

##### Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. LAIF was unrated at June 30, 2012.

##### Concentration of Credit Risk

The investment policy of the Authority contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There are no investments in any one issuer that represent 5% or more of total Authority investments that are required to be disclosed.

##### Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2012, the Authority's bank balance was either insured or collateralized, but the collateral was not held specifically in the Authority's name.



# NORTH COUNTY LIBRARY AUTHORITY

## NOTES TO BASIC FINANCIAL STATEMENTS

Fiscal year ended June 30, 2012

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### 2. Cash and Investments, continued

#### *(c) Risk Disclosures, continued*

##### **Custodial Credit Risk - Investments**

The custodial credit risk for investments is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's Investment Policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

##### **Investment in State Investment Pool**

The Authority is a voluntary participant in the LAIF, which is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements and amounts are based upon the Authority's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

As of June 30, 2012, the Authority held \$655,461 in LAIF, which had invested 2.75% of the pool investment funds in structured notes and asset-backed securities as compared to 5.01% in the previous year. The LAIF fair value factor of 1.001219643 was used to calculate the fair value of the investments in LAIF.

### 3. Special Tax Bonds

On October 1, 1991, the Authority issued \$3,645,000 of Special Tax Bonds (Bonds). These proceeds were used to finance the expansion and remodeling of the main library in the City. The Bonds bear interest at 5.25% to 8.25% payable semi-annually on February 1 and August 1. Principal is due serially each August 1 until August 1, 2011, and as of the date of this report all outstanding principal was paid in full.

The following is a summary of changes in long-term debt for the year ended June 30, 2012:

	Balance at July 1, 2011	Payments	Balance at June 30, 2012
Special Tax Bonds	\$ 330,000	\$ 330,000	\$ -

The Bonds were payable solely from a parcel tax on property within the Authority's boundaries.

# **NORTH COUNTY LIBRARY AUTHORITY**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

Fiscal year ended June 30, 2012

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### **4. Subsequent Events**

The Authority evaluated subsequent events for recognition and disclosure through January 28, 2013, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2012 that required recognition or disclosure in such financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

# NORTH COUNTY LIBRARY AUTHORITY

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES – BUDGET AND ACTUAL

Fiscal year ended June 30, 2012

	Budget			Variance Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes and special assessments	\$ 1,040,000	\$ 1,040,000	\$ 1,029,885	\$ (10,115)
Interest	6,355	6,355	392	(5,963)
Total revenues	1,046,355	1,046,355	1,030,277	(16,078)
Expenditures:				
Operations:				
Salaries and wages	484,979	484,979	464,271	20,708
Miscellaneous	90,000	90,000	86,054	3,946
Total expenditures	574,979	574,979	550,325	24,654
Excess of revenues over expenditures	471,376	471,376	479,952	8,576
Other financings sources (uses):				
Transfers out	(330,815)	(330,815)	(330,815)	-
Total other financing sources (uses)	(330,815)	(330,815)	(330,815)	-
Net change in fund balance	140,561	140,561	149,137	8,576
Fund balances, beginning of year	893,430	893,430	893,430	-
Fund balances, end of year	\$ 1,033,991	\$ 1,033,991	\$ 1,042,567	\$ 8,576

**NORTH COUNTY LIBRARY AUTHORITY**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2012

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**1. Budgetary Accounting**

The Authority annually adopts a budget on or before June 30, for the ensuing fiscal year. From the effective date of the budget, the amounts become the "annual appropriated budget."

Appropriations lapse at the end of the fiscal year. Supplemental appropriations, which increase appropriations, may be made during the fiscal year.

Budget information is presented for governmental fund types on a consistent basis with accounting principles generally accepted in the United States of America. Budgeted revenue and expenditure amounts represent the original budget modified for adjustments during the year.

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

To the Board of Directors  
of the North County Library Authority  
Los Altos, California

We have audited the financial statements of the governmental activities and each major fund of the North County Library Authority (Authority) as of and for the year ended June 30, 2012, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 28, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

To the Board of Directors  
of the North County Library Authority  
Los Altos, California  
Page Two

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

*Burr Pilger Mayer, Inc.*

San Jose, California  
January 28, 2013