



NORTH COUNTY LIBRARY AUTHORITY COMMISSION MEETING

Revised Agenda – New start time

Wednesday, March 7, 2018 – 5:00 P.M.

**Hillview Community Center Room 2
97 Hillview Ave, Los Altos, California**

ESTABLISH QUORUM

PLEDGE OF ALLEGIANCE

PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

Members of the audience may bring to the Commission's attention any item that is not on the agenda. Please complete a "Request to Speak" form and submit it to the Liaison. Speakers are generally given two or three minutes, at the discretion of the Chair. Please be advised that, by law, the Commission is unable to discuss or take action on issues presented during the Public Comment Period. According to State Law (also known as "the Brown Act") items must first be noticed on the agenda before any discussion or action.

ITEMS FOR CONSIDERATION/ACTION

1. Commission Meeting Minutes
Approve minutes of the meeting of January 22, 2018
2. NCLA Financial Documents
Review updated Fund Balance and Annual Budget.
3. Attorney Services for NCLA
Discussion of two options for provision of attorney services for NCLA.
4. Review Annual Audit Report
Review of the Annual Audit prepared by Maze & Associates for Fiscal Year 2016-2017.
5. County Update
County staff will provide an update.

6. Discussion of Woodland Library Exterior Improvements

7. Update from Library Redevelopment Task Force

8. Future Meeting Schedule

The next scheduled meeting: Monday, May 14, 2018 at 6:00 pm

INFORMATIONAL ITEMS

9. Staff Report

Receive information and announcements from MRG / City Staff

COMMISSIONERS' REPORTS AND COMMENTS

POTENTIAL FUTURE AGENDA ITEMS

ADJOURNMENT

SPECIAL NOTICES TO PUBLIC

In compliance with the Americans with Disabilities Act, the City of Los Altos will make reasonable arrangements to ensure accessibility to this meeting. If you need special assistance to participate in this meeting, please contact the City Clerk at least 48 hours prior to the meeting at (650) 947-2720.

Agendas, Staff Reports and some associated documents for Financial Commission items may be viewed on the Internet at <http://losaltosca.gov/committees-commissions/nclal/meetings.html>

If you wish to provide written materials, please provide the Commission Liaison with **10 copies** of any document that you would like to submit to the Commissioners in order for it to become part of the public record.

For other questions regarding the meeting proceedings, please contact the City Clerk at (650) 947-2720.

**MINUTES OF THE REGULAR MEETING OF THE NORTH COUNTY LIBRARY
AUTHORITY OF THE CITY OF LOS ALTOS, HELD ON MONDAY,
JANUARY 22, 2018, AT 6:00 P.M. AT THE NEUTRA HOUSE,
183 HILLVIEW AVENUE, LOS ALTOS, CALIFORNIA**

ESTABLISHED QUORUM AT 6:07 P.M.

PRESENT: President Suzanne Epstein, Vice President Cindy Hill, Secretary Jean Mordo,
Courtenay Corrigan and Jan Pepper

ABSENT: None

PUBLIC COMMENTS

None

ITEMS FOR CONSIDERATION/ACTION

1. Election of North County Library Authority (NCLA) Commission Officers

a. President

Jean Mordo nominated Cindy Hill for President, seconded by Suzanne Epstein. That motion passed with **AYES:** Corrigan, Epstein, Hill, Mordo, Pepper. **NOES:** None. **ABSTAIN:** None.

b. Vice President

Cindy Hill nominated Jean Mordo for Vice President, seconded by Courtenay Corrigan. That motion passed with **AYES:** Corrigan, Epstein, Hill, Mordo, Pepper. **NOES:** None. **ABSTAIN:** None.

c. Secretary

Jean Mordo nominated Suzanne Epstein for Secretary, seconded by Jan Pepper. That motion passed with **AYES:** Corrigan, Epstein, Hill, Mordo, Pepper. **NOES:** None. **ABSTAIN:** None. The Board Members congratulated the new officers. President Cindy Hill assumed leadership of the meeting.

2. Commission Meeting Minutes

The minutes from the December 4, 2017 meeting were reviewed and Jean Mordo moved to accept them. Seconded by Courtenay Corrigan. That motion passed with **AYES:** Corrigan, Epstein, Hill, Mordo, Pepper. **NOES:** None. **ABSTAIN:** None.

3. NCLA Financial Documents

- a. Distributed FY 2017/18 Adopted Budget
- b. Distributed Fund Balance Projections

Suzanne Epstein discussed several meetings with Liaison Marcie Scott prior to this meeting in which they reviewed the financial charts and have made minor modifications to format. The Fund Balance Projections chart will split out costs for each of the two Los Altos libraries related to additional hours funded by NCLA. Ms. Epstein discussed expanding the Fund Balance Projection chart to display all years of the life of the current bond.

There are still questions around the entries for interest. Liaison Marcie Scott and Suzanne Epstein will review additional information regarding interest earnings. Suzanne Epstein asked for additional information on Administrative Costs. Jean Mordo stated the Administrative Costs are estimates in the current budget and do not impact the bottom line.

Mr. Mordo noted in the Fund Balance Projection, the County's costs are estimated to grow at 5.6% per year, and investments are assumed to earn 0.7% per year. Both estimates are very conservative. Even so, the Fund Balance sheet provides for roughly \$4 million to roll into the next project.

The Fund Balance Projection and Operating Budget will be revised and brought back to the next meeting.

4. Attorney Services for NCLA

The Commission members reviewed the Engagement Letter submitted by law firm Berliner Cohen, who have previous working experience with NCLA. Courtenay Corrigan stated the Los Altos Hills City Attorney rate is approximately \$325/hour and will follow-up to request a proposal for attorney services from him. Liaison Marcie Scott will follow-up with the City of Los Altos City Attorney to explore interest in submitting an Engagement Letter for consideration by NCLA. It is expected the attorney services for NCLA will not be needed for several months.

5. Review Annual Audit Report

Copies of the NCLA annual audit performed by Maze & Associates were distributed in the packet. Suzanne Epstein raised questions about the amount of NCLA money in LAIF and pooled with the City of Los Altos funds (reference to page 20, Note 2 – Cash and Investments). Further discussion of the Audit was continued to the next meeting.

6. County Update

Chuck Griffen, Financial and Administrative Services Manager at the Santa Clara County Library District, discussed the start of the NCLA-funded additional hours at Woodland Library. Since those hours have just begun, we cannot see the impact of the additional hours until more time has passed. The circulation and visitor numbers have increased slightly at Main Library when compared to the prior year.

A successful event on Sunday, January 7th celebrated the additional hours at Woodland Library that took effect that week. Cindy Hill, Jean Mordo and Suzanne Epstein attended as well as County Supervisor Joe Simitian. Well over 100 people attended. It was noted how wonderful Supervisor Simitian was with the children.

The discussion continued with a focus on the back patio of Woodland Library. Jean Mordo expressed concern that space is not used by patrons because of a lack of benches and inadequate landscaping. The Commission agreed with the recommendation to add an item to the next agenda on potential capital improvements (outdoor seating, improved landscaping) at Woodland Library.

7. Discussion of Library Redevelopment Task Force

Cindy Hill, Chairperson of the Library Redevelopment Task Force, provided a briefing, with input from Los Altos City Clerk Jon Maginot. Ms. Hill stated the staff report in the packet was very

accurate. The Task Force has discussed moving forward with two studies of the Main Library, which together are estimated to cost approximately \$50,000. One study would update the existing Library Services and Space Needs Assessment of the Main Library conducted in 2008, the other study would evaluate architectural feasibility of remodel/rebuild of the Main Library.

Jean Mordo introduced a motion for NCLA to approve a contribution of one-third of the cost of the assessment up to a maximum of \$17,000. Jan Pepper seconded.

Discussion on the motion followed. The Task Force has selected Group 4, an architectural firm with previous library planning experience. The scope of work includes reviewing the 2008 study, two meetings with the Task Force, and meet with stakeholders. The decision to not engage the full community at this time will reduce the timeline and cost of this step. The cost of this study is estimated at \$14,000.

The second study will evaluate three options, two being renovations, and the third building a new facility on the existing site. It is recommended STRATA perform this work. Cindy Hill noted STRATA will not be able to bid on the actual work later. City Clerk Maginot responded they understand and have performed this type of assessment on other City buildings previously.

Courtenay Corrigan asked if STRATA has experience with libraries. Mr. Maginot responded they are a large firm and have studied many types of buildings. They are looking at an order of magnitude for costs. Suzanne Epstein noted the STRATA website describes their work with police and military buildings.

A question was raised of whether Group 4 will be able to bid later, and Mr. Maginot responded yes. Their work on the needs assessment will not prohibit them from bidding on future work for this project. Jan Pepper asked why Group 4 was not asked to conduct both of these studies. Mr. Maginot responded that would then eliminate them from bidding on this project later. It was noted Group 4 has performed work for the Milpitas and Palo Alto libraries.

Los Altos Library Endowment (LALE) has stated they are willing to contribute one-third of the cost of these two studies, up to \$35,000. The Friends group is willing to contribute \$20,000. There was discussion about each of the 3 parties (including NCLA) splitting the cost into thirds so that they pay equally. The Commission concurred.

The Commission voted on the pending motion to authorize up to \$17,000 of NCLA funds for these two studies and was approved: **AYES:** Corrigan, Epstein, Hill, Mordo, Pepper. **NOES:** None. **ABSTAIN:** None.

8. Future Meeting Schedule

The Commission is scheduled to meet on Monday, May 14, 2018 at 6:00 pm. Commissioners discussed options for a meeting sooner than May. A consensus was reached to meet again on Wednesday, March 7, 2018 at 6:00 pm.

INFORMATIONAL ITEMS

COMMISSIONERS' REPORTS AND COMMENTS

POTENTIAL FUTURE AGENDA ITEMS

As discussed previously, the Commission will talk about capital improvements to the exterior of the Woodland Library at the next meeting. It was noted this item cannot be placed on the City of Los Altos' CIP list, NCLA would have to spend its funds, estimated at a few hundred thousand dollars. Commissioners agreed they should walk the outside of Woodland Library before the next meeting if they are not already familiar with the area.

ADJOURNMENT

Adjourned at 6:59 pm.

**NCLA Adopted
REVISED Operating Budget
Fiscal Year 2017/18**

Agenda Item #
March 7, 2018

	2013/14	2014/15	2015/16	2016/17	2017/18
	Actual	Actual	Actual	Actual	Budget
Rate per Parcel	\$ 76	\$ 76	76	76	76
OPERATING EXPENDITURES					
Service Costs					
County Staffing *	480,011	513,142	545,158	600,704	634,325
Additional 6 hours/week Woodland eff 1/2/18					31,321
Administrative Costs	9,820	7,039	10,784	10,779	11,383
Election Expenses					
Contingency Funding		0			
Book Costs	25,000	25,000	25,000	0	0
Total Operating Expenditures	514,831	545,181	580,942	611,483	677,029
REVENUES					
Tax Revenue	1,039,441	1,057,375	1,046,401	1,048,695	1,048,700
Interest Income	4,083	7,025	14,045	9,480	12,500
Total Revenues	1,043,524	1,064,400	1,060,446	1,058,175	1,061,200
OPERATING SURPLUS/(DEFICIT)	528,693	519,219	479,504	446,692	384,171
Debt Payments	0	0	0	0	0
Activity Balance	528,693	519,219	479,504	446,692	384,171
FUND BALANCE as of June 30	\$ 2,128,411	\$ 2,647,630	\$ 3,127,134	\$ 3,573,826	\$ 3,957,997

* Increased Costs for FY17-18 based on increased hours and May 4, 2017 letter from SCCLD. Additional 6 hrs/wk at Woodland Lib eff 1/2/18.



BEST BEST & KRIEGER
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Proposal to Provide

General Counsel Legal Services

Presented to:

North County Library Authority

February 12, 2018

INDIAN WELLS

IRVINE

LOS ANGELES

ONTARIO

RIVERSIDE

SACRAMENTO

SAN DIEGO

WALNUT CREEK

WASHINGTON, D.C.

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I. COVER LETTER

February 12, 2018

DELIVERED VIA EMAIL

North County Library Authority
Chris A. Jordan, City of Los Altos City Manager
c/o Los Altos City Hall
1 North San Antonio Road
Los Altos, CA 94022
cjordan@losaltosca.gov

Re: Proposal to Provide General Counsel Services to the North County Library Authority

Dear Mr. Jordan:

On behalf of Best Best & Krieger LLP (BB&K), I am pleased to present BB&K's qualifications to provide General Counsel services to the North County Library Authority (NCLA). BB&K is a well-established public agency law firm that was founded in 1891. As such, BB&K has one of California's most extensive practices in providing legal services to a multitude of public agencies, including Joint Power Authorities and other governmental entities. Having represented more than 100 public agencies throughout the state as general or special counsel, BB&K is uniquely qualified to provide the highest quality legal representation to NCLA. I can provide references to attest to my qualifications, should references be required.

As the City Attorney to the City of Los Altos, I am aware of the needs of NCLA. If selected by NCLA to serve as General Counsel I will be the main point of contact for NCLA, but I will be able to draw on the support of the deep bench of attorneys at BB&K to provide the widest array of legal support. For example, BB&K has highly experienced public finance attorneys who have assisted public agencies with all facets of revenue raising including bond measures, taxes, assessments, and bond and disclosure services. Additionally, we have assisted cities with financing public libraries, which include the Corona Library, the Redlands Library, and the Encinitas Public Library. BB&K is able to provide all of the necessary resources for representation of NCLA. We also value libraries as centerpieces of the community providing essential services, therefore, realizing the importance of maintaining funding sources for you and your patrons.

Sincerely,



Christopher J. Diaz
of BEST BEST & KRIEGER LLP

II. FIRM QUALIFICATIONS

A. Public Agency/Special District Law

Our public agency law practice group focuses solely on helping public clients successfully maneuver through legal complexities and governmental mandates. Because BB&K has a history of extensive involvement in all aspects of public agency law, we have pioneered methods to deliver advisory and litigation services in a comprehensive and cost-effective manner. Our approach ensures the highest quality and most timely representation available in California.

BB&K is an active member of and supports numerous state and national public law organizations and associations, such as the California Special Districts Association, the California Association of Sanitation Agencies, the League of California Cities, the Independent Cities Association, and the Association of California Water Agencies. Our lawyers regularly present papers at association conferences and serve on committees of these organizations and associations.

BB&K is dedicated to keeping our attorneys and clients up to date on current issues in public agency law. We regularly prepare and distribute e-bulletins on important cases and legislation in order to keep our clients informed. The firm's public agency law practice group meets monthly to discuss new legislation, case law, and how to better serve clients.

B. Brown Act

BB&K provides advice regarding the interpretation and application of the Ralph M. Brown Act (Open Meeting Law) to our public agency clients. Advice often pertains to:

- Requirements for agenda preparation, posting, and distribution
- Closed session topics and reporting
- Notices and agendas for special and emergency meetings
- Adding agenda items after agenda is posted
- Conducting meetings by teleconferencing
- Application of Brown Act to committees of official bodies
- Avoiding violations and penalties

C. Public Records Act

BB&K advises clients on all aspects of California's open government laws, including the Public Records Act. We routinely brief our clients on pending legislation and cases in the area. With the emergence of new technology, we regularly advise clients regarding the use of email, records retention, and the public's right to access electronic information. We frequently speak at seminars and workshops regarding updates concerning the Public Records Act and email/technology issues. Our lawyers were involved with the preparation of the League of California Cities new book on the Public Records Act.

D. Public Finance

BB&K has had an active public finance practice since 1975 and has become one of the leading bond counsel firms in California. Members of the BB&K Public Finance Practice Group have experience in the wide variety of financings available in California and have worked with a multitude of California issuers—including transportation agencies—as bond counsel, disclosure counsel, special tax counsel and/or issuer’s counsel. We offer broad experience in all traditional and many innovative finance techniques, including Certificates of Participation, Transportation Infrastructure Finance and Innovation Act (TIFIA) loans, general obligation bonds, bond anticipation notes, community facilities district bonds, revenue bonds, Marks-Roos pooled financings, tax allocation financings, sales tax bonds, lease financing, nonprofit corporation 501(c)(3) financings, and refunding and advance refunding bond issues.

Our Public Finance Practice Group is extremely well versed in all applicable provisions of Federal and State laws relating to tax-exempt financings, including provisions relating to arbitrage bond restrictions, rebate to the federal government, and the private activity bond provisions of the Tax Reform Act of 1986 and related Internal Revenue Service (IRS) rules and regulations. We closely follow developments in the tax field and are fully aware of the implications recent regulations and rulings have for various types of financings. In addition, we work with our clients to ensure compliance with applicable IRS rules and regulations as they apply to short-term and long-term tax-exempt borrowings. We assist local agencies being audited by the IRS as a result of their expanded audit program. We are advocating the adoption of policies and procedures for tax-exempt bonds and tax-exempt financed property.

Whether the need is for new money, refunding, or a combination of both, clients rely on our transactional experience to handle all details relating to the authorization, tax-exemption, tax credit, sale, and delivery of public securities. We also advise our clients on exemptions from applicable statutes, disclosure requirements, and anti-fraud provisions of applicable securities regulation of the Securities Exchange Act of 1934 and the Securities Act of 1933.

E. Election Law

BB&K provides a wide range of advice to our clients on local, state, and federal election laws. We routinely assist clients during all stages of the elections process, including initiative drafting, filing, publication and circulation, spending limits, ballot arguments, campaign regulations, election contests, election timing, ballot security, recall procedures, ballot recounts, election result contests, and other post-election matters. We regularly provide advice to clients on the conduct of regular, special, and consolidated elections. We also advise clients on the California Voting Rights Act, voter registration issues, candidate qualification and nomination procedures, ballot pamphlet issues, and ethics laws.

F. Conflicts of Interest

BB&K attorneys frequently provide advice and training workshops to elected and appointed public officials regarding conflict of interest laws, including the Political Reform Act; self-interested contracts (Government Code Section 1090); campaign contribution conflicts; incompatibility of public offices; and AB 1234. We stay abreast of the most recent decisions from the Fair Political Practices Commission (FPPC) and often draft requests for FPPC written advice for clients.

G. Proposition 218


BB&K assists our special district clients with compliance with the substantive and procedural requirements of Proposition 218 for the formation of assessment and improvement districts and the adoption and levy of assessments, including the review of assessment engineering reports. Additionally, we assist our special district clients with the preparation of all required notices of public hearings and ballot materials for the adoption of assessments.

Proposition 218 established numerous procedural requirements and substantive limitations on the use of revenue from water, recycled water, and sewer service fees and charges. BB&K attorneys work diligently with our clients to prevent or turn back legal challenges under the California Constitution and state law to these fees and charges. In this regard, we review utility rate and fee studies and prepare the notices of public hearings for the adoption of fees and charges to ensure compliance with these constitutional mandates.

III. PROPOSED GENERAL COUNSEL AND PUBLIC FINANCE COUNSEL

A. General Counsel

Christopher J. Diaz, Partner

	Phone:	(925) 977-3309
	Email:	christopher.diaz@bbklaw.com
	Location:	Walnut Creek
	Education:	University of California, Los Angeles School of Law, J.D.; University of California, San Diego, B.A.
	CA Bar Number:	235249

Christopher J. Diaz is a public agency attorney serving as city attorney to the cities of Los Altos and Milpitas, and the towns of Hillsborough and Colma. Christopher regularly helps his public agency clients in all areas of public agency law, including complex land use transactions, the California Environmental Quality Act, ethics laws and conflicts of interest.


Christopher also regularly advises public agency clients on the myriad of land use laws, including state planning and zoning laws and the Subdivision Map Act. Christopher also has considerable experience advising public agency clients on transactional compliance with CEQA, and regularly reviews environmental impact reports, mitigated negative declarations, negative declarations and initial studies. Of particular note, Christopher provided guidance on the following land use transactions:

Christopher has a strong passion for ensuring open and honest government and regularly advises public agency clients on state conflict of interest and ethics laws and the Brown Act. He has considerable experience in interpreting regulations adopted by the state Fair Political Practices Commission and has drafted various opinion letters to elected and appointed officials on compliance with the Political Reform Act and Government Code section 1090. Christopher also provided training to elected and appointed officials and public agency staff regarding AB 1234 and Brown Act compliance.

Christopher served on the League of California Cities' Community Services Policy Committee as the City Attorney's Department appointee, as well as the Resolutions Committee at the League's Annual Conference. Christopher is serving a three-year term on the Executive Committee of the Public Law Section of the State Bar of California.

B. Bond Counsel

Kelly J. Salt, Partner

	Phone:	(619) 525-1375
	Email:	kelly.salt@bbklaw.com
	Location:	San Diego
	Education:	University of San Diego School of Law, J.D.; University of California, Santa Barbara, B.A., <i>cum laude</i>
	CA Bar Number:	120712

Kelly Salt works with public agencies on bond and municipal finance matters, rate setting and compliance with propositions 218 and 26, and drought management and water conservation programs. She is a partner in BB&K’s Public Finance practice group and is based in the firm’s San Diego office. Since joining BB&K, Kelly has worked as bond, disclosure and issuer’s counsel with numerous cities and public agencies on financing major public facilities through the issuance of certificates of participation, revenue, lease revenue, general obligation, assessment district and community facilities district bonds. In addition, Kelly has assisted cities and special districts with the following:

- Review of utility rate and fee studies and assessment engineering reports
- Preparation of notices of public hearings for the adoption of fees, charges and assessments
- Formation of assessment districts
- Establishment of new and increases to existing taxes, assessments, fees and charges

Her water conservation work includes preparing drought management and water conservation programs, preparing water-efficient landscape ordinances and developing water demand offset fees to mitigate the impacts of new development on water supplies.

Prior to joining BB&K, Kelly worked for the San Diego City Attorney’s Office for more than 16 years and served as the primary attorney on bond finance matters for the City’s public works projects. These projects are as varied as the \$1 billion expansion and reconstruction of the City’s water and wastewater infrastructure programs and the \$169.6 million lease revenue financing for the construction of Petco Park. She was also the chief deputy city attorney of the City Attorney Office’s Public Works Section and supervised other attorneys on, among other issues, public works contracting and water, wastewater, stormwater, and solid waste regulatory compliance matters.

In addition, Kelly previously worked for the University of San Diego School of Law as an instructor and she served as the assistant dean for student affairs. Kelly has been a featured speaker on public finance, propositions 218 and 26, and water conservation matters at conferences throughout California. The *Daily Journal* included her on the list of Top Women Lawyers in 2017 and *San Diego Magazine* has repeatedly named her a Top Lawyer for public finance.

IV. SERVICES & MANAGEMENT APPROACH

Our primary goal as general counsel is to understand the expectations and needs of North County Library Authority (NCLA), provide timely and accurate responses to requests, anticipate and avoid potential legal pitfalls, and cultivate an effective and efficient working relationship. BB&K attorneys are always available and accessible to accommodate client needs, and we understand that time-sensitive demands require special attention.

UNDERSTANDING OF KEY SERVICES

Provide general counsel, legal opinions and assistance to the Executive Director and Library Staff.

Prepare and review contracts and legal documents relating to NCLA activities and organizational needs.

Work with the Executive Director, executive team, Clerk of the Board and key library staff in preparing and reviewing reports, documents, contracts and other information to be presented at NCLA Board meetings.

Participate in meetings as the legal representative of North County Library Authority, including monthly NCLA Board meetings.

We have experience in defining the appropriate level of legal services for our new clients. As a general matter, whenever we are contacted by a client to initiate a new matter, we touch base with the client contact to determine that the scope of the work is clear and that the client's expectations are in line with the nature of the work requested. We discuss our approach and the deliverables that can be expected by the client. We also discuss timing, both in terms of the amount of time that will go into preparing our response and the length of time that will be necessary to complete the project. We discuss the client's preference on status updates and then follow up with the frequency preferred by the client.

BB&K is committed to responding to NCLA's requests in whatever timeframe the matter requires. The actual response time will vary with the urgency and complexity of the task. Given the depth of our resources in both personnel and experience, we are capable of responding to complex requests in an expedited manner, whenever necessary. Routine matters can often be responded to immediately, as it is likely that one of our attorneys has already handled a matter of the same or similar nature. Therefore, same-day answers to legal questions can easily be accommodated.

On topics of interest to public agencies, BB&K provides a project memorandum approach. This means that numerous issues have already been researched by our attorneys saving costs for NCLA based on BB&K's extensive database of documents and research.

This allows NCLA to obtain updates on the law at a fraction of the cost to prepare the memorandum, since the costs are shared with numerous clients. In addition, BB&K can perform an audit of existing agreements, policies and documents and update them as necessary.

We can also provide model agreement and other documents. Then going forward, little or no review will be needed from our office. This proactive method allows us to avoid potential risk and unnecessary litigation.

In addition, the firm uses a state-of-the-art video conferencing system for collaborative meetings with each other and with our clients, which minimizes the need for our attorneys to travel across the state or country; thereby, saving our clients' money.

V. FEES

BB&K has a longstanding commitment to the efficient and cost-effective delivery of legal services. The experience of our attorneys makes it possible to address complex legal issues with creativity and speed at a fair and reasonable cost. We work with each of our clients to develop the pricing construct that works best for the individual client. We understand that each client has unique budgetary requirements and we work hard to help our clients stay within their legal budgets.

A. Hourly Rates

BB&K will honor our current rates that we have with the City of Los Altos for NCLA; which are described below.

For attorney meeting attendance the hourly rate will be \$225 per hour. For all other legal services provided to NCLA, except concerning Public Finance/Bond Counsel matters, the rates will be as follows:

Personnel	Hourly Rate
Partners & Of Counsel	\$295
Associates	\$260
Paralegals and Law Clerks	\$160

Rates for Public Finance/Bond Counsel matters will be as follows:

Personnel	Hourly Rate
Partners	\$360
Of Counsel	\$325
Associates	\$260
Paralegals and Law Clerks	\$160

More fee details can be discussed between BB&K and NCLA with additional information when the time arises.

B. Reimbursements

BB&K does not charge for routine word processing, secretarial, or office costs, including telephone and fax charges. Reimbursement of costs advanced by BB&K on behalf of NCLA, as well as other expenses, will be billed at actual cost. These currently include but are not limited to, mileage at the IRS authorized rate, actual expenses for being away from our offices on NCLA’s business, postage, legal research, and any cost of printing or reproducing documents, photographs, or other items necessary for legal representation. Additionally, costs advanced on your behalf may include the preparation of transcript books, electronic media, or any other costs associated with your matters.



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ROBERT W. HUMPHREYS
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ROBERT L. CHORTEK

OF COUNSEL

STEVEN L. HALLGRIMSON
FRANK R. UBHAUS
ERIC WONG

NANCY L. BRANDT
RICHARD E. NOSKY, JR.
LESLIE KALIM McHUGH

January 19, 2018

VIA EMAIL & U.S. MAIL

Chris A. Jordan
City of Los Altos City Manager
1 N. San Antonio Road
Los Altos, CA 94022

Re: Engagement Letter Agreement – North County Library Authority

Dear Mr. Jordan:

This letter will confirm the retention of Berliner Cohen to render legal services to the North County Library Authority (“NCLA”) regarding its proposed library renovation project, which may include the sale of bonds and a municipal election (“Project”).

Attached hereto are our general Billing Policies and Procedures dated January 1, 2018, which are incorporated herein by this reference. Please read the Attachment carefully. The policies and procedures set forth in the Attachment are subject to change. This letter, together with the Attachment, shall serve as our fee agreement for the above-referenced matter, as well as for any additional matters as to which Berliner Cohen is asked to provide legal services that are not covered by a separate fee agreement. This Engagement Letter Agreement supersedes any prior agreements for legal services.

I will be primarily responsible for the work being performed in connection with the project and possibly others, assisting me. My hourly rate for this Project will be at a public agency rate of \$300. Should it be necessary to use other attorneys or legal assistants not specifically mentioned herein due to the size and scope of this matter, any time constraints which may arise, or for any other reason, we will staff as appropriate. Upon your request, we will provide you with the hourly rates of any other attorneys or legal assistants performing work on this matter.

Mr. Jordan
January 18, 2018

So that we may effectively represent your interests, you agree to keep us informed of any developments concerning the facts or circumstances related to the matter(s) in which we represent you, to provide all other information we may request, and to extend to us all necessary cooperation. Otherwise, your case could be adversely affected.

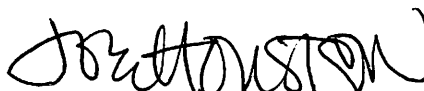
We appreciate the opportunity to serve as your attorneys and anticipate a productive and harmonious relationship. If you become dissatisfied for any reason with the services we have performed or the fees charged, we encourage you to bring that to our attention immediately so we can discuss it with you. We believe any such problems can be corrected by communication and discussion. However, a dispute could arise between us which cannot be resolved by discussion. We believe that such attorney/client disputes are more satisfactorily resolved through binding arbitration than by litigation in court. Consequently, as specifically set forth in the attached Billing Policies and Procedures, any dispute based upon or arising out of our engagement, this letter agreement, the fees charged and/or the performance or failure to perform services shall be subject to binding arbitration to be held in Santa Clara County, California before a retired California Superior Court Judge or an attorney. Judgment on the arbitrator's award shall be final and binding and may be entered in any competent court. As a practical matter, by agreeing to arbitrate, all parties are waiving any right to a jury trial. PLEASE REVIEW CAREFULLY THE PROVISIONS OF THE BILLING POLICIES AND PROCEDURES REGARDING THIS AGREEMENT TO HAVE BINDING ARBITRATION OF ALL DISPUTES.

If you have any questions or comments regarding the contents of this letter or the Attachment, please contact me at your earliest convenience. Otherwise, kindly sign the original of this letter to signify your agreement to the terms contained herein and return it to me as soon as possible.

We look forward to working with you.

Very Truly Yours,

BERLINER COHEN



JOLIE HOUSTON

Email: jolie.houston@berliner.com

JH
Attachments

The undersigned has read and understood this letter agreement, including the Attachment. The undersigned acknowledges that this letter agreement is subject to binding arbitration as provided herein and as further explained in the attached Billing Policies and Procedures. The foregoing accurately sets forth all the terms of the engagement and is approved and accepted on the ____ day of _____, 2018.

By _____
Chris A. Jordan



TEN ALMADEN BOULEVARD
ELEVENTH FLOOR
SAN JOSE, CALIFORNIA 95113-2233

TELEPHONE: (408) 286-5800
FACSIMILE: (408) 998-5388

www.berliner.com

BILLING POLICIES AND PROCEDURES DATED JANUARY 1, 2018

TO OUR CLIENTS:

We have established standard policies and procedures regarding the performance of our services and the fees, costs, expenses and for the terms of payment. These policies and procedures are subject to change from time to time. You will be notified of any changes which will have a material effect on our engagement. We encourage you to discuss with us, at any time, any questions you may have concerning these policies and procedures.

To help us determine the value of our services, each of our lawyers, paralegals, and paralegal assistants maintain time records for each client and matter. The time records are reviewed monthly by the billing attorney assigned to you before a billing statement is prepared. Our billing statements will be rendered to you on a monthly basis. Occasionally, for probate and trust matters and certain substantial financial and commercial transactions, billing statements may be rendered at the completion of the transaction or matter, but only by special arrangement.

Typically, the minimum time to be charged is 3/10 of an hour, even though the actual time worked may be less. All attorneys and legal assistants of Berliner Cohen, LLP are assigned hourly rates. Currently the hourly rates for attorneys range from \$290 to \$615, and the hourly rates for paralegals and paralegal assistants range from \$150 to \$235. The 2018 Professional Rates are shown on the attached schedule. Our hourly rates are adjusted from time-to-time (generally once a year) and may change during the course of our engagement. We view such rates as only a benchmark, and not as the sole determinant, of the value of our services for billing purposes. Instead, the amount of our billing statement will be the fair value of the services as determined by the billing attorney taking into account the time records for the matter, the types of services we have been asked to perform, any special level of expertise required, the size and scope of the matter, results obtained, and other relevant circumstances.

It is our desire to serve you with the most effective support systems available, while at the same time charging for such systems in accordance with the extent of usage by individual clients. Therefore, in addition to our fees for legal services, we also charge separately for certain support services and expenses, including facsimile, messenger, courier, postage and other communication and delivery costs; document reproduction and retrieval; image documenting; staff, paralegal, and paralegal assistant overtime when required by the client or the matter's timing; computer time (such

as legal research and case retrieval, document handling and processing, and data base management); document preparation on our word processing facilities; court reporters; court filing fees; transmission of court papers to courts and judges; discovery costs; investigation expenses; consultants' fees; expert and expert witness fees; and other costs and expenses incurred on your behalf. You are ultimately responsible for payment to Berliner Cohen, LLP for all costs and expenses advanced or incurred by us upon presentation of any billing statement for payment thereof. Large billings from third parties may be forwarded to you for direct payment by you to the third party.

We often ask for a deposit against fees, costs, and expenses to be incurred from new clients, and from existing clients under certain circumstances. The amounts and terms of the advance deposit arrangement are determined by the billing attorney, and may be set forth in our engagement agreement. The advance deposit will be placed in a trust account and as monthly billing statements are generated, our engagement agreement will serve as our authorization to withdraw from such trust account an amount to satisfy the monthly billing statement. The amount of the deposit applied to current fees and costs will be reflected in the monthly billing statement. At various times throughout our engagement we may require other advance deposits, depending on your payment history or on the scope of the work. For example, prior to a trial, we may require the posting of an advance deposit sufficient to cover expected fees, costs, and expenses. In addition, please note that any advance deposit or other sum placed in a trust account will be subject to the provisions of California Business and Professions Code Section 6210, and that any interest earned thereon shall be paid to the State Bar of California in accordance with Section 6210.

Any estimates of anticipated fees, costs, or expenses that we provide at the request of a client, whether for budgeting purposes or otherwise, are, due to the uncertainties involved, necessarily only an approximation of potential fees, costs, or expenses. Unless we otherwise agree in writing as to specific matters, under no circumstances are such estimates a maximum or minimum quotation. Our actual fees will be determined in accordance with the policies described above.

We attempt to include costs and expenses in the billing statement for the month in which the costs and expenses are incurred. However, often charges, such as those from third party vendors (including court filing services and court reporters), are not available to us until the following months, in which case these additional charges will be itemized in a subsequent monthly billing statement.

Our billing statements are due and payable upon receipt, since there is often a significant time lag between the rendering of our services and the submission of our statement. A late charge of 1% will be imposed on fees, costs and expenses which are outstanding more than two months after the date set forth on your first billing statement for those fees, costs and expenses. A late charge of 1% will continue to be imposed each month thereafter on the unpaid balance of each past due billing statement until it is paid in full.

If we have been retained to perform legal services on behalf of more than one client, each client will have joint and several liability. In other words, the fees, costs, and expenses incurred will not be allocated between clients on a pro rata basis, but each client will be responsible for the total of

such fees, costs and expenses, regardless of whether the other clients contest liability. In addition, if we perform work for a corporation or other business entity, we will sometimes ask that certain individuals assume responsibility for our fees, costs and expenses.

You have the right to discharge Berliner Cohen, LLP or any of its attorneys at any time, and Berliner Cohen, LLP may withdraw from representation of you at any time. Our withdrawal may be based, among other things, upon your failure to promptly pay or make satisfactory arrangements to pay our fees and costs. In the event of discharge or withdrawal, Berliner Cohen, LLP will retain copies of all client papers and property pertaining to our representation of you, subject to any protective order or non-disclosure agreement. The original client papers and property will be promptly released to you, or your successor legal counsel, at your request. Berliner Cohen, LLP, however, shall be entitled to payment from you for all charges incurred by Berliner Cohen, LLP in connection with the copying, transfer or delivery of your papers and property, and for fees for time expended in providing follow-up or transition services to the successor counsel or you at your request or the request of your successor counsel.

It has always been and will continue to be our goal to provide legal services to you on the most cost-efficient basis possible. If at any time you wish to discuss either our billing policies and procedures generally or a specific billing statement, we encourage you to contact us.

If you are dissatisfied with the services we have performed or the fees charged, we encourage you to bring that to our attention immediately so we can discuss it with you. If a dispute should arise between us which cannot be resolved by discussion, it will be subject to resolution through binding arbitration rather than by litigation in court.

Arbitration is a process by which the parties to a dispute agree to submit the matter to a retired judge or other arbitrator who has expertise in the area and to abide the arbitrator's decision, instead of litigating in court. In arbitration, there is no right to a trial by jury and the arbitrator's legal and factual determinations are generally not subject to appellate review. Arbitration rules of evidence and procedure are often less formal and rigid than in a court trial. Arbitration usually results in a decision more quickly than proceedings in court, and the attorneys' fees and other costs incurred by both sides are usually substantially less.

BY SIGNING THE LETTER AGREEMENT YOU RECEIVED WITH THESE BILLING POLICIES AND PROCEDURES, YOU AGREE THAT, IF ANY DISPUTE ARISES OUT OF OR RELATING TO OUR ENGAGEMENT, OUR FEE AGREEMENT, THE FEES CHARGED AND/OR PERFORMANCE OR FAILURE TO PERFORM SERVICES (INCLUDING, BUT NOT LIMITED TO, DISPUTES REGARDING ATTORNEYS' FEES OR COSTS, CLAIMS OF BREACH OF DUTY, BREACH OF CONTRACT, PROFESSIONAL NEGLIGENCE, FRAUD OR ANY CLAIM BASED UPON A STATUTE) SUCH DISPUTE SHALL BE RESOLVED BY SUBMISSION TO BINDING ARBITRATION IN SANTA CLARA COUNTY, CALIFORNIA, BEFORE A RETIRED CALIFORNIA SUPERIOR COURT JUDGE AND NOT BY A JURY TRIAL. JUDGMENT ON THE ARBITRATOR'S AWARD SHALL BE FINAL AND BINDING AND MAY BE ENTERED IN ANY COMPETENT COURT.

If we are unable to agree on an arbitrator, each party will name one retired judge and the two named persons will select a neutral judge who will act as the sole arbitrator. The parties shall be entitled to take discovery in accordance with the California Code of Civil Procedure, but either party may request that the arbitrator limit the amount or scope of such discovery, and in determining whether to do so, the arbitrator shall balance the need for the discovery against the parties' mutual desire to resolve disputes expeditiously and inexpensively.

You may also have the right under law to non-binding arbitration. If you request non-binding arbitration, it will take place before the binding arbitration which is provided for herein. If you ask for non-binding arbitration and you or we are unhappy with the result, it will be followed by the binding arbitration. The binding arbitration provided for herein replaces litigation in court before a judge or jury, but it does not replace non-binding arbitration.

From time to time, we are called upon to respond to subpoenas or testify in connection with the matters for which our clients have sought representation. If documents are sought from Berliner Cohen, LLP, or any representative of Berliner Cohen, LLP is asked to give testimony in connection with the services rendered to you by Berliner Cohen, LLP, we will charge for all time spent and all costs incurred in connection with such document production or testimony at the rates then in effect. You will be responsible for the payment of such fees and costs regardless of whether our representation of you in the particular matter giving rise to the request for documents or testimony has ended, whether or not we represent you in the proceeding in which such charges are incurred, and whether or not we are providing you with services in any other matters at the time the documents are sought or the testimony is requested.



TO: North County Library Authority (NCLA) Commission
FROM: Marcie Scott, Liaison
DATE: March 7, 2018
SUBJECT: Transmittal of Revised Annual Audit for Fiscal Year 2016-2017

RECOMMENDATION:

Receive Audit and staff report with notes for file.

BACKGROUND:

On an annual basis the financial records of the North County Library Authority (NCLA) are independently audited as a part of the City of Los Altos general audit contract. The City of Los Altos engages the independent audit firm Maze & Associates; this is the fourth year of review by this audit team.

DISCUSSION:

The annual audit for the fiscal year ending June 30, 2017 has received an unqualified or “clean opinion” with no findings.

The annual audit was discussed briefly at the prior meeting of January 22, 2018. The Board asked the Liaison to review the sixth bullet point of the Financial Highlights section on page 4. A review of this section resulted in a modification to bullet 6 to reflect an “ ‘increase’ in salary and administration costs by the amount of \$54,224”. A revised copy of this section is attached.

The Board notes for the file the following corrections to be incorporated in the next audit report:

- A. On page 5, Government-Wide Financial Analysis, the Board would like an asterisk or note to reference any monies in the Escheatment Process to enable these monies to be tracked over time.
- B. On page 5, Economic Factors And Next Year’s Budget And Rates, second bullet, correct the number of operational hours supported by supplemental NCLA funding from 12 to 17. Effective January 3, 2017 the NCLA began funding an additional 5 hours.
- C. On page 17, NOTE 1 A – Summary of Significant Accounting Policies, remove the second sentence from the second paragraph on that page. (“The Santa Clara County Library District provides staff to the Authority under contract.”)

Attachment: Revised Audit

**Agenda Item #5
January 22, 2018**

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

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

**Prepared by
FINANCE DEPARTMENT**

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**NORTH COUNTY LIBRARY AUTHORITY
BASIC FINANCIAL STATEMENTS
For the Ended June 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and the major fund of the North County Library Authority (Authority), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

● *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 and for year then ended June 30, 2017, and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents 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.

Maze Associates

Pleasant Hill, California
November 11, 2017

North County Library Authority
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2017

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.

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 Position* and the *Statement of Activities*.

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

The *Statement of Activities* provides information showing how NCLA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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 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 third 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.

FINANCIAL HIGHLIGHTS:

- Net position is positive and has increased by \$466,692 at year end, above the 2016-17 budget projections.
- The total liabilities increased by \$16,441 at year-end as a result of slightly higher accrued accounts payable invoices.
- Interest revenue decreased by 33% from \$14,045 to \$9,480 as a result of higher cash investments as interest rates continue to experience historic low levels of yield given persistent market conditions.
- Due to the timing of accounts receivable there was no additional transactions that occurred.
- On June 8, 2010, the voters of Los Altos and Los Altos Hills approved a renewal of the prior 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 decreased by \$24,460 or 4.2% in line with budget projections. The FY 2016-17 expenditures maintained book funding to \$25,000. With this level of expenditure location service hours were maintained including annually updated County labor costs and the full standard books donation levels.
- Measure A (May 2005) 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 2017 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	NCLA Net Position	
	Government-Wide Activities	
	6/30/2017	6/30/2016
Current Assets:		
Cash and investments	3,860,083	3,393,149
Accounts and Interest Receivable	1,343	5,144
Total Assets	3,861,426	3,398,293
Current Liabilities:		
Accounts and salaries payable	342,601	326,160
Total Liabilities	342,601	326,160
Unrestricted Net Position	3,518,825	3,072,133
Total Net Position	3,518,825	3,072,133

Total Net Position was \$3,518,825 at the end of this fiscal year, a gain of \$446,692 over the prior year. 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.

NCLA Net Position		
	Government-Wide Activities	
	6/30/2017	6/30/2016
Revenues		
Program Revenues		
Charges for Services	1,048,695	1,046,401
General Revenues		
Interest Income	9,480	14,045
Total Revenues	1,058,175	1,060,446
Expenses		
Administration and Community Services	611,483	580,943
Total Expenses	611,483	580,943
Change in Net Position	446,692	479,503
Net Position, Beginning of Year	3,072,133	2,592,630
Net Position, End of Year	3,518,825	3,072,133

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. Since NCLA labor costs are derived from County services, the implementation of cost control measures at the County level remains a key assumption.
- NCLA will continue to supplement funding to provide an additional 12 operational hours per week at the Central Library and an additional 19 hours at the Woodland Library.

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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GOVERNMENT-WIDE FINANCIAL STATEMENTS

NORTH COUNTY LIBRARY AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and investments (Note 2)	\$3,860,083
Interest receivable	<u>1,343</u>
Total assets	<u>3,861,426</u>
LIABILITIES	
Current liabilities:	
Accounts payable	<u>342,601</u>
Total liabilities	<u>342,601</u>
NET POSITION	
Unrestricted	<u>3,518,825</u>
Total net position	<u><u>\$3,518,825</u></u>

See accompanying notes to financial statements

NORTH COUNTY LIBRARY AUTHORITY
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Governmental Activities
Primary government:			
Administration and community services	\$611,483	\$1,048,695	\$437,212
Total governmental activities	611,483	1,048,695	437,212
General revenues:			
Interest income			9,480
Total general revenues			9,480
Change in net position			446,692
Net position, beginning of year			3,072,133
Net position, end of year			\$3,518,825

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

NORTH COUNTY LIBRARY AUTHORITY

GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2017

	<u>General Fund</u>
ASSETS	
Cash and investments (Note 2)	\$3,860,083
Interest receivable	<u>1,343</u>
Total Assets	<u><u>\$3,861,426</u></u>
LIABILITIES	
Accounts payable	<u>\$342,601</u>
Total Liabilities	<u>342,601</u>
FUND BALANCES	
Unassigned	<u>3,518,825</u>
Total Liabilities and Fund Balance	<u><u>\$3,861,426</u></u>

See accompanying notes to financial statements

NORTH COUNTY LIBRARY AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FISCAL YEAR ENDED JUNE 30, 2017

	<u>General Fund</u>
REVENUES:	
Taxes and special assessments	\$1,048,695
Interest income and other revenues	<u>9,480</u>
Total revenues	<u>1,058,175</u>
EXPENDITURES:	
Contractual services	600,704
Miscellaneous	<u>10,779</u>
Total expenditures	<u>611,483</u>
Net change	446,692
Fund balance, beginning of year	<u>3,072,133</u>
Fund balance, end of year	<u><u>\$3,518,825</u></u>

See accompanying notes to financial statements

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NORTH COUNTY LIBRARY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2017

NOTE 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.

The Authority has no regular full-time employees. The Santa Clara County Library District provides staff to the Authority under contract.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The Authority's government-wide financial statements include a Statement of Net Position and a Statement of Activities and Changes in Net Position. 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 Position. The Statement of Activities and Changes in Net Position presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

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

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.

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:

NORTH COUNTY LIBRARY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Type:

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.

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 balance of the Authority's 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, 2017 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.

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.

NORTH COUNTY LIBRARY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

D. *Net Position and Fund Balances*

Government-Wide Financial Statements

In the government-wide financial statements, net position is classified in the following categories:

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

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

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).

NORTH COUNTY LIBRARY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 2 – CASH AND INVESTMENTS

A. Summary of Cash and Investments

The City is responsible as the fiduciary of the Authority and manages investments on behalf of the Authority, which are pooled with those of the City. The investments made by the City Treasurer are limited to those allowable under state statues 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, 2017 consist of the following:

Cash pooled with City of Los Altos	\$420,875
Investments - LAIF	307,208
Los Altos Treasurer's Investment	3,132,000
Total cash and investments	\$3,860,083

The Authority's cash is pooled with the Los Altos' Treasurer, who acts as disbursing agent for the Agency. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value provided by the Treasury Pool for the entire Treasury Pool portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on accounting records maintained by the Treasury Pool, which are recorded on an amortized cost basis. Interest earned on investments pooled with the Treasurer is allocated quarterly to the appropriate fund based on its respective average daily balance for that quarter.

NORTH COUNTY LIBRARY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2017

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Authorized 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	Maximum 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	None	20%
Bankers' Acceptances	180 days	None	20%	10%
Commercial Paper	180 days	A1/P1	15%	5%
Negotiable Certificates of Deposit	3 years	A	30%	3%
Corporate Medium Term Notes	4 years	A	30%	3%
Repurchase Agreements	180 days	None	20%	10%
Money Market Mutual Funds	None	None	20%	10%
Local Agency Investment Fund	None	None	None	\$65 million
Asset-backed Securities	5 years	A	20%	3%

C. Risk Disclosures

Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Los Altos Treasurer's Investment is classified in Level 2 of the fair value hierarchy is valued using a quoted price in a non-active market for an identical asset. The California Local Agency Investment Fund (LAIF) is valued at amortized cost and therefore, exempt from being classified under GASB 72.

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 by purchasing a combination of shorter-term and longer-term investments. 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. The California Local Agency Investment Fund (LAIF), held by the Authority at June 30, 2017, had a maturity date of less than one year.

NORTH COUNTY LIBRARY AUTHORITY
NOTES TO BASIC FINANCIAL STATEMENTS
Fiscal Year Ended June 30, 2017

NOTE 2 – CASH AND INVESTMENTS (Continued)

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, 2017.

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, 2017, the Authority's bank balance was either insured or collateralized, but the collateral was not held specifically in the Authority's name.

Custodial Credit Risk – Investments

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).

REQUIRED SUPPLEMENTARY INFORMATION

NORTH COUNTY LIBRARY AUTHORITY

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes and special assessments	\$1,057,312	\$1,057,312	\$1,048,695	(\$8,617)
Interest income and other revenues	12,569	12,569	9,480	(3,089)
Total revenues	1,069,881	1,069,881	1,058,175	(11,706)
Expenditures:				
Operations:				
Contractual services	567,366	567,366	600,704	(33,338)
Miscellaneous	42,700	42,700	10,779	31,921
Total expenditures	610,066	610,066	611,483	(1,417)
Excess of revenues over expenditures	\$459,815	\$459,815	446,692	(\$10,289)
Fund balance, beginning of year			3,072,133	
Fund balance, end of year			\$3,518,825	

NORTH COUNTY LIBRARY AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Fiscal year Ended June 30, 2017

NOTE 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 government 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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**NORTH COUNTY LIBRARY AUTHORITY
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

**FOR THE YEAR ENDED
JUNE 30, 2017**

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**NORTH COUNTY LIBRARY AUTHORITY
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

For the Year Ended June 30, 2017

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MEMORANDUM ON INTERNAL CONTROL

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

In planning and performing our audit of the basic financial statements of the North County Library Authority (Authority), as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

This communication is intended solely for the information and use of management, Authority Board, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'Maze & Associates' in a cursive, flowing script.

Pleasant Hill, California
November 11, 2017

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NORTH COUNTY LIBRARY AUTHORITY
MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

NEW GASB PRONOUNCEMENTS OR PRONOUNCEMENTS NOT YET EFFECTIVE

The following comment represents new pronouncements taking affect in the next two years. We have cited them here to keep you abreast of developments:

Effective in fiscal year 2017-18:

GASB 75 – *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

GASB 81 – *Irrevocable Split-Interest Agreements*

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

GASB 86 – *Certain Debt Extinguishment Issues*

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

Effective in fiscal year 2018-19:

GASB 83 – *Certain Asset Retirement Obligations*

This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs.

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REQUIRED COMMUNICATIONS

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

We have audited the basic financial statements of the North County Library Authority (Authority) for the year ended June 30, 2017. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards.

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year, except as follows:

The following Governmental Accounting Standards Board (GASB) pronouncements became effective, but did not have a material effect on the financial statements:

- GASB 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- GASB 74 – *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*
- GASB 77 – *Tax Abatement Disclosures*
- GASB 80 – *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*
- GASB 82 – *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements is estimated fair value of investments.

The Authority's cash and investments balances are measured by fair value as disclosed in Note 2 to the Basic Financial Statements. Fair value is essentially market pricing in effect as of June 30, 2017. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2017.

Disclosures

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Board.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in a management representation letter dated November 11, 2017.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Information Accompanying the Financial Statements

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

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

Maze & Associates

Pleasant Hill, California
November 11, 2017

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**North County Library Authority
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2017**

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.

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 Position* and the *Statement of Activities*.

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

The *Statement of Activities* provides information showing how NCLA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

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 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 third 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.

FINANCIAL HIGHLIGHTS:

- Net position is positive and has increased by \$466,692 at year end, above the 2016-17 budget projections.
- The total liabilities increased by \$16,441 at year-end as a result of slightly higher accrued accounts payable invoices.
- Interest revenue decreased by 33% from \$14,045 to \$9,480 as a result of higher cash investments as interest rates continue to experience historic low levels of yield given persistent market conditions.
- Due to the timing of accounts receivable there was no additional transactions that occurred.
- On June 8, 2010, the voters of Los Altos and Los Altos Hills approved a renewal of the prior 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 increased by \$54,224 or 10.5% in line with budget projections. The FY 2016-17 expenditures maintained book funding to \$25,000. With this level of expenditure location service hours were maintained including annually updated County labor costs and the full standard books donation levels.
- Measure A (May 2005) 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 2017 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NCLA Net Position		
	Government-Wide Activities	
	6/30/2017	6/30/2016
Current Assets:		
Cash and investments	3,860,083	3,393,149
Accounts and Interest Receivable	1,343	5,144
Total Assets	3,861,426	3,398,293
Current Liabilities:		
Accounts and salaries payable	342,601	326,160
Total Liabilities	342,601	326,160
Unrestricted Net Position	3,518,825	3,072,133
Total Net Position	3,518,825	3,072,133

Total Net Position was \$3,518,825 at the end of this fiscal year, a gain of \$446,692 over the prior year. 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.

NCLA Net Position		
	Government-Wide Activities	
	6/30/2017	6/30/2016
Revenues		
Program Revenues		
Charges for Services	1,048,695	1,046,401
General Revenues		
Interest Income	9,480	14,045
Total Revenues	1,058,175	1,060,446
Expenses		
Administration and Community Services	611,483	580,943
Total Expenses	611,483	580,943
Change in Net Position	446,692	479,503
Net Position, Beginning of Year	3,072,133	2,592,630
Net Position, End of Year	3,518,825	3,072,133

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. Since NCLA labor costs are derived from County services, the implementation of cost control measures at the County level remains a key assumption.
- NCLA will continue to supplement funding to provide an additional 12 operational hours per week at the Central Library and an additional 19 hours at the Woodland Library.

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.



TO: North County Library Authority (NCLA) Commission
FROM: Marcie Scott, Liaison
DATE: March 7, 2018
SUBJECT: Discussion of Potential Woodland Library External Improvements

RECOMMENDATION:

For Board Discussion

DISCUSSION:

A map of Woodland Library is attached as a reference. Note the identification of an existing Demonstration Garden for native and low water use plants as well as a proposed site for a community garden space.

Attachment: Map of Woodland Library

3.7.18 Item 6

Proposed

Community

Gardens

Demonstration

Garden

