



Parcel Tax Oversight Committee Meeting

November 17, 2021

Library and Education Commission



Oversight Role

- Understand the allowable costs
- Review expenditures for compliance with ballot language
- Review and approve outside audit of expenditures





Parcel Tax History

- 1995-2005: Library Benefit Assessment District
- November 2004 – Measure S approved
 - Parcel Tax: Sunset in 2015
- June 2014 – Measure B approved
 - Parcel Tax, subject to inflation
 - \$25 per year per single family home
 - Proportional assessment for other property types
 - Effective July 2015 - 2040



Appropriate Expenditures



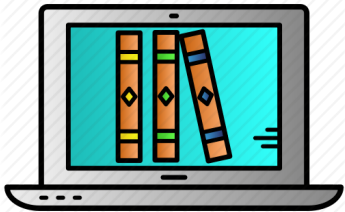
Library Operations

- Open Hours
- Administration
- Repair and equipping of libraries



Homework and Educational Programming

- Children's reading programs/story times
- Teens, Senior, and Educational Programming
- Adult Literacy & Job Readiness Programming



Access and Collection

- Books & Materials
- Technology

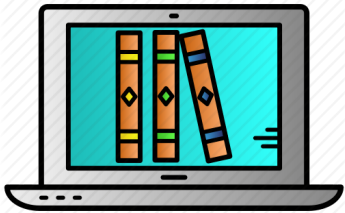


2020-21 Expenditures



Library Operations

- FY 15-16 add public service staff = 36.83 FTE
- FY 20-21 Budget = 75.74 FTE (20%)



Collection

- Books & materials, including e-resources
- Annual fees and software upgrades to Catalog



Technology

- Systemwide Technology Contract & Licensing
- Data Storage Upgrade Project

2020-21 Revenues & Expenditures



+2.91% inflation applied to all parcel rates



\$9,904,881 in annual revenue

Use of Funds	Expenditures/ Encumbrances
Personal Services	\$7,282,818
Materials Acquisition	1,148,516
Non-Personal Svcs/Equip	1,126,332
Automation Projects	459,066
Annual Audit	14,159
Transfers Out	49,307
TOTAL	\$10,080,198

2020-21 Balance Sheet

Activity	Balance
Beginning Fund Balance	\$6,956,144
Total Revenues	9,873,287
Total Expenditures	10,080,198
Change in Fund Balance	(206,911)
Ending Fund Balance	\$6,749,233



Audit Basis

- Financial Records
- Justification and backup documentation related to project management costs. Examples include:
 - Documentation of contracts
 - Invoice support for expenditures
 - Inquiries of liquidations
- Internal controls

No audit findings of inappropriate expenditures





Thank you!

November 17, 2021

Library and Education Commission

**CITY OF SAN JOSE
LIBRARY PARCEL TAX FUND
(A Fund of the City of San José)**

Independent Auditor's Reports,
Financial Statements,
Required Supplementary Information,
and Independent Accountant's Report

For the Year Ended June 30, 2021



Certified
Public
Accountants

CITY OF SAN JOSE
LIBRARY PARCEL TAX FUND
(A Fund of the City of San José)
For the Year Ended June 30, 2021

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Independent Auditor's Report

City Council and
Members of the Library and Early Education Commission
City of San José, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Library Parcel Tax Fund (Fund), a fund of the City of San José (City), as of and for the year ended June 30, 2021, and the related notes to the 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Library Parcel Tax Fund as of June 30, 2021, and the change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the City as of June 30, 2021, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Budgetary Basis as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2021 on our consideration of the City’s internal control over the Fund’s financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City’s internal control over the Fund’s financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control over the Fund’s financial reporting and compliance.



Walnut Creek, California

November 3, 2021

CITY OF SAN JOSE
LIBRARY PARCEL TAX FUND
(A Fund of the City of San José)
Balance Sheet
June 30, 2021

Assets

Equity in pooled cash and investments held in the City Treasury	\$ 7,095,525
Accrued interest receivable	10,976
Prepaid expenses	<u>39</u>
Total assets	<u><u>\$ 7,106,540</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts payable	\$ 1,106
Accrued salaries, wages and payroll taxes	<u>356,201</u>
Total liabilities	357,307

Fund balance:

Restricted for neighborhood library services	<u>6,749,233</u>
Total liabilities and fund balance	<u><u>\$ 7,106,540</u></u>

See accompanying notes to the financial statements.

CITY OF SAN JOSE
LIBRARY PARCEL TAX FUND
(A Fund of the City of San José)
Statement of Revenues, Expenditures, and Change in Fund Balance
For the Year Ended June 30, 2021

Revenues:

Library parcel tax	\$ 9,904,881
Investment losses	(31,594)
	9,873,287
Total revenues	9,873,287

Expenditures:

Personal services	7,282,818
Materials acquisition	1,148,516
Non-personal services/equipment	1,126,332
Automation projects	459,066
Annual audit	14,159
	10,030,891
Total expenditures	10,030,891

Other Financing Uses:

Transfers out	(49,307)
	(49,307)
Change in fund balance	(206,911)
Fund balance, beginning of year	6,956,144
	6,956,144
Fund balance, end of year	\$ 6,749,233

See accompanying notes to the financial statements.

CITY OF SAN JOSE
LIBRARY PARCEL TAX FUND
(A Fund of the City of San José)
Notes to the Financial Statements
For the Year Ended June 30, 2021

NOTE 1 – DESCRIPTION OF REPORTING ENTITY

In November 2004, registered voters of the City of San José (City) approved Measure S, a parcel tax for library specific purposes. The parcel tax replaced the ten-year Library Benefit Assessment District that ended on June 30, 2005. Beginning on July 1, 2005, the parcel tax is collected with the annual Santa Clara County property taxes for each fiscal year until June 30, 2018. In the June 2014 Primary Election, over 81.0% of San Jose voters approved continuing the Library Parcel Tax for an additional 25 years beginning with fiscal year 2015-2016. Proceeds from the library parcel tax may only be expended for library purposes, including the following:

- the acquisition of library books and materials and related costs to maintain library collections at all libraries;
- the development and delivery of homework and educational programs for all age groups to support literacy and lifelong learning;
- the repair, equipping, and staffing of libraries; and
- the cost of collection and administration of the library parcel tax.

The City Council may, by resolution of the City Council, increase the library parcel tax rates if the City Council finds that the cost of living in the City as shown on the Consumer Price Index (CPI) has increased over the preceding period. The increase in the library parcel tax rate shall not exceed the increase in the CPI for the applicable period, but in no event shall the increase exceed 3.0%. For the year ended June 30, 2021, the increase in the library parcel tax rate was 2.91%.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements present only the financial position and the changes in financial position of the Library Parcel Tax Fund (Fund) and do not purport to, and do not, present fairly the City's financial position as of June 30, 2021, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A special revenue fund (governmental fund) is used to account for the City's library parcel tax activities. Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. Proceeds of specific revenue sources establish that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.

Basis of Accounting

The Fund's activity is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Fund considers parcel tax (property tax) revenues and investment income to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to vacation, sick leave, claims and judgments are recorded only when payment is due.

CITY OF SAN JOSE
LIBRARY PARCEL TAX FUND
(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance

Under Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the balance sheets of governmental funds classify fund balances based primarily on the extent to which the Fund is bound to honor constraints on the specific purposes for which those funds can be spent. The Fund only has restricted fund balance at June 30, 2021. Restricted fund balances are amounts when constraints placed on use of resources are either: (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Use of Estimates

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

NOTE 3 – CASH AND INVESTMENTS

Cash and investments balances of the Fund are pooled and invested in the City’s investment pool. The Fund’s portion of this pool is displayed on the balance sheet as “equity in pooled cash and investments held in the City Treasury” and are subject to the requirements of the City’s adopted investment policy. The amounts held in the City’s investment pool can be withdrawn upon demand. Income earned or losses arising from pooled investments are allocated on a monthly basis by the City’s Finance Department to the Fund based on the average weekly cash balances. These investments are reported at fair value generally based on quoted market prices in the accompanying financial statements and the corresponding change in fair value of investments are reported in the year in which the change occurred.

At June 30, 2021, the City’s investment pool invested in U.S. government and agency securities, commercial paper, negotiable certificates of deposit, money market funds, corporate medium-term notes, and California’s Local Agency Investment Fund as authorized by the City’s investment policy. The weighted average maturity of the City’s investment pool is 565 days. Additional information regarding the characteristics of the City’s entire investment pool can be found in the City’s basic financial statements for the year ended June 30, 2021. A copy of that report may be obtained by contacting the City’s Finance Department, 200 East Santa Clara Street, 13th Floor, San José, CA, 95113 or can be found at the City’s Finance Department website at <http://www.sanjoseca.gov>.

NOTE 4 – INTERGOVERNMENTAL EXPENDITURES

The City issued lease revenue bonds and commercial paper to pay for the City Hall construction costs. The Fund’s share of the debt service is calculated as a percentage of library staff occupying City Hall coupled with an estimated use of the Council Chambers and other City Hall offices and as a percentage of central services that benefit all departments. For the year ended June 30, 2021, the Fund’s share of the debt service paid to the City was \$49,307.

CITY OF SAN JOSE
LIBRARY PARCEL TAX FUND
(A Fund of the City of San José)
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2021

NOTE 5 – OTHER COMMITMENTS

At June 30, 2021, the Fund has outstanding encumbrances for the following activities:

<u>Activity</u>	<u>Amounts</u>
Materials acquisition	\$ 123,218
Non-personal services/equipment	343,211
Annual audit	14,584
Automation projects	38,620
Total encumbrances	\$ 519,633

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CITY OF SAN JOSE
LIBRARY PARCEL TAX FUND
(A Fund of the City of San José)
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Budgetary Basis
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Budgetary Basis Actual	Variance Over (Under)	GAAP Adjustments	GAAP Basis
Revenues:						
Library parcel tax	\$ 9,742,670	\$ 9,742,670	\$ 9,904,881	\$ 162,211	\$ -	\$ 9,904,881
Investment income/(losses)	100,000	100,000	(31,594)	(131,594)	-	(31,594)
Total revenues	<u>9,842,670</u>	<u>9,842,670</u>	<u>9,873,287</u>	<u>30,617</u>	<u>-</u>	<u>9,873,287</u>
Expenditures:						
Personal services	7,642,820	7,642,820	7,282,818	(360,002)	-	7,282,818
Materials acquisition	1,735,761	1,735,761	1,271,734	(464,027)	(123,218)	1,148,516
Non-personal services/equipment	2,239,205	2,239,205	1,469,543	(769,662)	(343,211)	1,126,332
Automation projects	724,903	724,903	497,686	(227,217)	(38,620)	459,066
Annual audit	31,159	31,159	28,743	(2,416)	(14,584)	14,159
Total expenditures	<u>12,373,848</u>	<u>12,373,848</u>	#NAME?	<u>(1,823,324)</u>	<u>(519,633)</u>	<u>10,030,891</u>
Excess of revenues over expenditures	(2,531,178)	(2,531,178)	#NAME?	1,853,941	519,633	(157,604)
Other financing uses:						
Transfer out	(49,284)	(49,284)	(49,307)	(23)	-	(49,307)
Change in fund balance	<u>\$ (2,580,462)</u>	<u>\$ (2,580,462)</u>	#NAME?	<u>\$ 1,853,918</u>	519,633	(206,911)
Fund balance, beginning of year			6,194,946		-	6,956,144
Liquidation of prior year encumbrances			272,271		(272,271)	-
Fund balance, end of year			#NAME?		<u>\$ 247,362</u>	<u>\$ 6,749,233</u>

See accompanying note to the required supplementary information.

CITY OF SAN JOSE
LIBRARY PARCEL TAX FUND
(A Fund of the City of San José)
Note to the Required Supplementary Information
For the Year Ended June 30, 2021

Budgetary Information

The adopted budget represents the financial and organizational plan by which the policies and programs approved by the City Council will be implemented. It includes: (1) the programs, projects, services and activities to be provided during the fiscal year; (2) estimated revenues available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The City Charter requires that the City establish a budgetary system for general operations and prohibits expending funds for which there is no legal appropriation. Annual budgets are prepared for the Library Parcel Tax Fund.

The annual appropriation ordinance adopts the budget at the appropriation level by expenditure category (personal services, non-personal services) within departments. Accordingly, the lowest level of budgetary control exercised by the City Council is the appropriation level within a department.

Budgetary Results Reconciled to GAAP

The budgetary process is based upon accounting for certain transactions on a basis other than the accounting principles generally accepted in the United States of America (GAAP) basis. The results of operations are presented in the accompanying budget and actual comparison schedule in accordance with the budgetary process (budgetary basis) to provide a meaningful comparison with the budget.

The major differences between the budgetary basis actual and GAAP basis are as follows:

- Certain accounts such as the change in fair value of investments included in the City's GAAP basis amounts, for which no formal budgets are prepared, are excluded from the budgetary basis comparison schedule.
- Year-end encumbrances are recognized as the equivalent of expenditures in the budgetary basis comparison schedule, while encumbered amounts are not recognized as expenditures on the GAAP basis until the equipment, supplies, or services are received.



**Independent Auditor’s Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

City Council and
Members of the Library and Early Education Commission
City of San José, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Library Parcel Tax Fund (Fund), a fund of the City of San José (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated November 3, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’s internal control over the Fund’s financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Macias Gini & O'Connell LLP

Walnut Creek, California
November 3, 2021



Independent Accountant's Report on Compliance with Measure S

City Council and
Members of the Library and Early Education Commission
City of San José, California

We have examined the City of San José's (City) compliance with certain provisions of Measure S for the year ended June 30, 2021 as follows:

- Parcel tax is used for the acquisition of library books and materials and related costs to maintain library collections at all libraries; the development and delivery of homework and educational programs for all age groups to support literacy and lifelong learning; the repair, equipping, and staffing of libraries; and the cost of collection and administration of the library parcel tax.
- The City's annual parcel tax, \$25 (2006 annual parcel tax) for single-family residences and proportional for other properties, will be adjusted for inflation capped at 3% annually and will be limited to ten years. In the June 2014 Primary Election, the City's voters approved to continue the Library Parcel Tax for an additional 25 years beginning fiscal year 2015-2016.
- Independent audits were performed.
- A citizen's oversight committee was established.

Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance whether the City complied with the specified requirements, in all material respects. An examination involves performing procedures to obtain evidence about the City's compliance with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with the specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2021.

This report is intended solely for the information and use of the City Council, the Library and Early Education Commission, the City Auditor and the City's management and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 3, 2021



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Citizen Oversight
Committee for the Library
Parcel Tax

SUBJECT: See Below

DATE: November 17, 2021

Approved

Date

COUNCIL DISTRICT: Citywide

**SUBJECT: ANNUAL STATUS REPORT ON THE LIBRARY PARCEL TAX FOR
FISCAL YEAR 2020-2021**

RECOMMENDATION

Accept the Fiscal Year (FY) 2020-21 Library Parcel Tax update and audit report as the Library and Education Commission acting as the Citizen Oversight Committee for the Library Parcel Tax.

OUTCOME

Acceptance of this report would conclude the Citizen Oversight Committee's review of the implementation of the Library's Parcel Tax program in FY 2020-21.

BACKGROUND

In November 2004, registered voters of the City of San Jose approved Measure S, a parcel tax for library specific purposes. The parcel tax replaced the ten-year Library Benefit Assessment District that ended on June 30, 2005. Beginning July 1, 2005, the parcel tax has been collected with the annual Santa Clara County property taxes for each fiscal year until June 30, 2015.

After voter approval of the 10-year Library Parcel Tax measure in November 2004, the City Council appointed the Library Commission as the Citizen Oversight Committee to conduct an annual public hearing and prepare an annual report informing the Council and public of the appropriateness of expenditures and the results of the annual audit on or before December 31st of each year.

In the June 2014 Primary Election, over 81% of San Jose voters approved continuing the Library Parcel Tax for an additional 25 years beginning with fiscal year 2015-16.

The ballot measure reads as follows:

To support neighborhood libraries, including: buying needed books and materials; preventing severe reductions in hours; preventing deep cuts in children's reading programs; shall the City of San José replace the expiring library assessment with an annual parcel tax in the same amount, \$25 for single-family residences and proportional for other properties, adjusted for inflation capped at 3% annually, limited to ten years and subject to independent audits and citizen oversight?

The Library Parcel Tax proceeds are to be used for Library purposes only, including but not limited to the acquisition of Library books and materials; the costs of maintaining Library collections; the development and delivery of homework and educational programs; the repair, equipping and staffing of libraries; and the cost of collection and administration of the Library Parcel Tax.

ANALYSIS

REVENUES/EXPENDITURES/PROJECTS

In FY 2020-21, the Consumer Price Index adjustment of 2.91% was applied to all affected parcels in the City of San José. In FY 2020-21 the Library Parcel Tax for a single-family or condominium/townhome parcel was \$36.31. As a result, a total of \$9,904,881 in Library Parcel Tax payments was assessed and collected during the fiscal year, including investment losses of \$31,594 resulting in total Library Parcel Tax revenue of \$9,873,287. The \$31,594 of investment losses are attributed to a FY 2019-20 large allocation of unrealized gain that was significantly higher than the unrealized gain in FY 2020-21. We are reviewing options for future financial reporting that would allow us to separate the unrealized gain/loss from the interest earning to create a more complete picture of the financial transactions. A total of \$10,080,198 was expended or encumbered in Library Parcel Tax funds. The table below presents all expenditures and encumbrances associated with Library Parcel Tax appropriation categories in Fiscal Year 2020-21. The ending fund balance for the FY 2020-21 year was \$6,749,233.

Use of Funds	Expenditures/ Encumbrances
Personal Services	\$ 7,282,818
Materials Acquisition	1,148,516
Non-Personal Svcs/Equip	1,126,332
Automation Projects	459,066
Annual Audit	14,159
Transfers Out	49,307
TOTAL	\$ 10,080,198

In FY 2015-16, the LPT added funding for a net total of 36.83 FTEs to support expansion of hours at all branch libraries, of which 84% was funded by the LPT. The General Fund's share of these position costs has increased incrementally by 20% and the final shift was in 2019-2020, at

which point the cost for these positions are 100% General Fund. Some of the key acquisitions, automation and equipment purchases that the LPT supported were the purchase of books and materials for the collection, including electronic resources; annual contract fees and a data storage upgrade project.

The report on the independent audit of the Library Parcel Tax Fund done by Macias Gini & O'Connell, LLP is attached. As part of the outside auditor's review, any significant issues are identified and commented upon. No significant issues were identified and reported on for the Library Parcel Tax Fund.

EVALUATION AND FOLLOW-UP

Status reports on the Library Parcel Tax are reported on an annual basis.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**

- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**

- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

The memo does not meet any of the criteria listed above. The public hearing for the review of this item was posted on the City's Brown Act Board and the Library Department website.

COORDINATION

This memo has been coordinated with the City Auditor.

CEQA

CEQA: Not a Project, File No. PP10-069(a), Staff Reports/Assessments/Annual Reports/Informational Memos that involve no approvals of any City Actions.

COC/Library and Education Commission

November 17, 2021

Subject: Annual Status Report on the Library Parcel Tax for Fiscal Year 2020-21

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/s/

Wendi Mahaney-Gurahoo, Chair

San Jose Library Parcel Tax Oversight Committee

For questions please contact Andrea Maestre, Administrative Officer at (408) 808-2192.

November 3, 2021

Macias Gini & O'Connell LLP
2121 N. California Blvd, Suite 750
Walnut Creek, CA 94596

Subject: Audit of Library Parcel Tax Fund

Ladies and Gentlemen:

This representation letter is provided in connection with your audit of the financial statements of the Library Parcel Tax Fund (the Fund), a fund of the City of San José (City), which comprise the balance sheet as of June 30, 2021 and the statement of revenues, expenditures and changes in fund balance for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our actual knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 15, 2021, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

- 7) We have considered impacts of the coronavirus (COVID-19) outbreak and have determined it does not have significant impact to be reflected in the Financial Schedules and the related disclosures.
- 8) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
- 9) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements and we have not consulted a lawyer concerning litigation, claims or assessments.
- 10) Guarantees, whether written or oral, under which the Fund is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the Fund from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of Oversight Committee or City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the Fund and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Fund's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the Fund's related parties and all the related party relationships and transactions of which we are aware.

Government Specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us
- 21) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 22) The Fund has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or fund balance.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statements amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 24) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 25) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 26) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 27) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 28) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved and accepted responsibility for those financial statements and related notes.

- 29) In regard to the preparation of financial statements and related notes services performed by you, we have:
- a) Assumed all management responsibilities.
 - b) Designated Rick Bruneau, Deputy Director of Finance, who has suitable skill, knowledge, or experience to oversee the services.
 - c) Evaluated the adequacy and results of the services performed.
 - d) Accepted responsibility for the results of the services.
- 30) The Fund has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 31) The Fund has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 32) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 33) Investments are properly valued.
- 34) Provisions for uncollectible receivables have been properly identified and recorded.
- 35) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 36) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 37) Interfund, internal, and intra-entity activity and balances have been appropriately classified as to risk and are properly disclosed.
- 38) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 39) We have appropriately disclosed the Fund's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purpose for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 40) We are responsible for establishing and maintaining effective control over compliance requirements applicable to the Parcel Tax Ordinance. We believe the internal control system is adequate and is functioning as intended.
- 41) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 42) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and

presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

- 43) With respect to the RSI, we acknowledge our responsibility for presenting the RSI in accordance with accounting principles generally accepted in the United States of America, and we believe the RSI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the RSI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- 44) We have elected to omit the Management's Discussion and Analysis that GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, requires to be presented to supplement the basic financial statements. These financial statements are not basic financial statements, as they only present certain activity of the City that relates to the Fund. The City has determined that the additional information that would be included in the Management's Discussion and Analysis does not add value to the fair presentation of the Fund's financial statements.

Signature: *Julia H. Cooper*
Julia H. Cooper (Nov 3, 2021 17:28 PDT)

Name & Title: Julia H. Cooper
Director of Finance

Signature: *Jill Bourne*
Jill Bourne (Nov 3, 2021 14:07 PDT)

Name & Title: Jill Bourne
City Librarian








LPT MRL letterhead

Final Audit Report

2021-11-04

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