

Communication with Those Charged with Governance at the Conclusion of the Audit

January 21, 2026

The Library Commission
Sonoma County Library
6135 State Farm Drive,
Rohnert Park, CA 94928

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sonoma County Library, (the "Library") for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 2, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Library are described in note 02 to the financial statements. The Library adopted GASB Statement No. 101, Compensated Absences which required a restatement of net position as of July 1, 2024. Our opinion is not modified with respect to this matter. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Note 10 to the financial statements. We noted no transactions entered into by the library 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 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.

We have identified below accounting estimates that we consider to be especially sensitive or to pose significant of material misstatement.

Compensated Absence	The Library has implemented GASB Statement No. 101, Compensated Absences. A liability is reported for unused vacation leave. Although sick leave is not paid out upon separation, a liability is recorded for the portion of sick leave that is more likely than not to be used for paid time off. The liability is measured using current pay rates and includes applicable salary-related costs.
OPEB and Pension	Under GASB Statement No. 75, the OPEB liability is estimated based on an independent actuarial valuation as of the measurement date using the entry age normal actuarial cost method, incorporating assumptions related to discount rates, healthcare cost trends, mortality, retirement, and employee turnover, and reflecting plan benefit provisions in effect at the measurement date.
Capital Assets - Useful Life and Methods of Depreciation:	Management's estimates of depreciable capital assets are based on historical cost and estimated useful lives, and the methods, assumptions, and data used to develop depreciation are evaluated and determined to be reasonable in relation to the financial statements taken as a whole.

We evaluated the key factors and assumptions used to develop the above estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

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.

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 the management representation letter dated January 21, 2026.

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 '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 's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to, which are (is) required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI. We were engaged to report on supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We were not engaged to report on, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

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

Very truly yours

Harshmal & Company LLP

San Diego, California
January 21, 2026

SONOMA COUNTY LIBRARY

INDEPENDENT AUDITOR'S REPORT

AND

BASIC FINANCIAL STATEMENTS

JUNE 30, 2025



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INDEPENDENT AUDITOR'S REPORT

To the Library Commission
Sonoma County Library
Rohnert Park, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sonoma County Library (the "Library"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Library, as of June 30, 2025, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that budgetary comparison information, management's discussion and analysis, supplemental schedules of pension information, and other postemployment benefit information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2026, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Library's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

Harshmal & Company LLP

San Diego, California
January 21, 2026

**SONOMA COUNTY LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

As management of the Sonoma County Library (the "Library"), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2025.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Library exceeded its liabilities and deferred inflows of resources as of June 30, 2025 by \$43,981,089 (net position). Of this amount \$3,007,172 (unrestricted net position) may be used to meet the Library's ongoing obligations.
- The Library's total net position increased by \$4,623,620 for the year ended June 30, 2025. This increase was primarily due to increased total revenues from program revenue and property taxes.
- As of June 30, 2025, the Library's governmental funds reported combined ending fund balances of \$45,053,809, a decrease of \$2,234,796 from the prior year. Of this amount, 21% or \$9,242,990 is available for spending at the Library's discretion.
- As of June 30, 2025, the unassigned fund balance for the General Fund was \$9,242,990 or 33% of the total General Fund expenditures for the year ended June 30, 2025.
- The Measure Y/Sales tax fund reported a fund balance of \$16,195,080 as of June 30, 2025, which is a decrease from a balance of \$21,845,411 as of June 30, 2024.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances, in a manner similar to the private business sector.

The *statement of net position* presents financial information on all of the Library's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the Library'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. Thus, revenues and expenses are reported in this statement for items that will result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

SONOMA COUNTY LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

OVERVIEW OF THE FINANCIAL STATEMENTS - CONT'D

Governmental Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Library's funds fall under the category of governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Library maintains two major governmental funds, the General Fund and the Measure Y Special Revenue Fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the Measure Y Special Revenue Fund. All of the non-major funds are aggregated and presented in a single column titled "Other Funds".

The Library adopts an annual appropriated budget for its general fund and Measure Y (Sales tax). A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found after the basic financial statements section of this report.

Required Supplementary Information

Schedules presenting budgetary comparison information for the Library's General Fund and Special Revenue Funds are supplementary information required by generally accepted accounting principles. The budgetary schedules immediately follow the notes to the basic financial statements.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$43,981,089 at the close of the most recent fiscal year. This is an increase of \$4,623,620 from the prior fiscal year.

SONOMA COUNTY LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS - CONT'D

<u>Summarized Statements of Net Position</u>	<u>June 30, 2025</u>	<u>June 30, 2024</u>	<u>Change</u>	<u>%</u>
Assets				
Current assets	\$ 46,780,482	\$ 48,279,215	\$ (1,498,733)	(3.10)%
Noncurrent assets	<u>22,114,416</u>	<u>15,320,651</u>	<u>6,793,765</u>	<u>44.34 %</u>
Total assets	<u>68,894,898</u>	<u>63,599,866</u>	<u>5,295,032</u>	<u>8.33 %</u>
Deferred Outflow of Resources	<u>11,853,697</u>	<u>10,356,755</u>	<u>1,496,942</u>	<u>14.45 %</u>
Liabilities				
Current liabilities	5,050,679	2,587,603	2,463,076	95.19 %
Noncurrent liabilities	<u>29,957,119</u>	<u>29,673,139</u>	<u>283,980</u>	<u>0.96 %</u>
Total liabilities	<u>35,007,798</u>	<u>32,260,742</u>	<u>2,747,056</u>	<u>8.52 %</u>
Deferred Inflows of Resources	<u>1,759,708</u>	<u>2,338,410</u>	<u>(578,702)</u>	<u>(24.75)%</u>
Net Position				
Investment in capital assets	18,373,939	11,052,761	7,321,178	66.24 %
Restricted	22,599,978	27,699,234	(5,099,256)	(18.41)%
Unrestricted	<u>3,007,172</u>	<u>605,474</u>	<u>2,401,698</u>	<u>396.66 %</u>
Total net position	<u>\$ 43,981,089</u>	<u>\$ 39,357,469</u>	<u>\$ 4,623,620</u>	<u>11.75 %</u>

The largest portion of the Library's net position, \$22,599,978 represents resources that are subjected to external restrictions on how they may be used.

An additional portion of the Library's net position, \$18,373,939 reflects its investment in capital assets, net of accumulated depreciation and less any related outstanding debt that was used to acquire those assets. The Library uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Library's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Library's unrestricted net position increased from \$605,474 as of June 30, 2024, to \$3,007,172 as of June 30, 2025. The increase is mainly due to an increase in revenue from property taxes.

The Library's governmental activities increased net position by \$5,723,647. Key elements of these activities during the fiscal year ended June 30, 2025, are identified below:

- The Library recognized property tax revenues totaling \$29,281,013 which is an increase of \$2,229,815 from the prior fiscal year. This increase can be attributed to increased property values.
- The Library recognized sales tax revenues for Measure Y totaling \$15,460,709, which is a decrease of \$133,699 from the prior fiscal year. This decrease can be attributed due to decline in consumer spending on goods.

SONOMA COUNTY LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS - CONT'D

- The Library's investment income of \$2,256,875 is due to interest income of \$1,597,245 and an unrealized gain on investments of \$659,630 as of June 30, 2025. Additional information can be found in Note 2 and 3 of these financial statements.
- Personnel expenses decreased by \$1,028,957 to \$29,054,155. The decrease was primarily attributed to a \$2,770,042 decrease in adjustments to the net pension liability, partially offset by an increase of \$1,700,373 in employee salaries and benefits.
- The Library's program expenses decreased by \$151,768 to \$8,747,796 primarily due to a decrease in expenditures related to the Lunch at the Library grant from the prior year.

<u>Summarized Statements of Activities</u>	<u>For the year ended June 30, 2025</u>	<u>For the year ended June 30, 2024</u>	<u>Change</u>	<u>%</u>
Revenues				
Program revenues	\$ 2,382,634	\$ 1,059,074	\$ 1,323,560	124.97 %
Property taxes	29,281,013	27,051,198	2,229,815	8.24 %
Sales tax - Measure Y	15,460,709	15,594,408	(133,699)	(0.86)%
Investment earnings	2,256,875	2,212,243	44,632	2.02 %
Intergovernmental	-	185,763	(185,763)	(100.00)%
Gain on lease amendment	-	103,156	(103,156)	(100.00)%
Miscellaneous	<u>172,199</u>	<u>129,769</u>	<u>42,430</u>	<u>32.70 %</u>
Total revenues	<u>49,553,430</u>	<u>46,335,611</u>	<u>3,217,819</u>	<u>6.94 %</u>
Expenses				
Personnel	29,054,155	30,083,112	(1,028,957)	(3.42)%
Other program expenses	8,747,796	8,899,564	(151,768)	(1.71)%
Materials	4,155,330	4,360,205	(204,875)	(4.70)%
Depreciation and amortization	1,776,152	1,693,245	82,907	4.90 %
Interest	51,242	66,548	(15,306)	(23.00)%
Loss on disposal of capital assets	<u>45,108</u>	<u>-</u>	<u>45,108</u>	<u>- %</u>
Total expenses	<u>43,829,783</u>	<u>45,102,674</u>	<u>(1,272,891)</u>	<u>(2.82)%</u>
Change in net position	5,723,647	1,232,937	4,490,710	364.23 %
Net position, beginning of year	39,357,469	38,124,532	1,232,937	3.23 %
Change in accounting principle (Note 13)	<u>(1,100,027)</u>	<u>-</u>	<u>(1,100,027)</u>	<u>- %</u>
Net position, beginning of year, <i>restated</i>	<u>38,257,442</u>	<u>38,124,532</u>	<u>132,910</u>	<u>0.35 %</u>
Net position, end of year	<u>\$ 43,981,089</u>	<u>\$ 39,357,469</u>	<u>\$ 4,623,620</u>	<u>11.75 %</u>

SONOMA COUNTY LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

GOVERNMENTAL FUNDS ANALYSIS

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with legal and governmental accounting requirements.

The focus of the Library's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in evaluating the Library's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Library's net resources available for spending at the end of the fiscal year.

General Fund

The Library uses funds to help control and manage resources for particular purposes. The Library's General Fund reported a fund balance of \$23,424,605 as of June 30, 2025, which is an increase from a balance of \$20,419,670 as of June 30, 2024. This increase included an increase of \$2,229,815 in property tax revenue.

The General Fund is the main operating fund of the Library. As of June 30, 2025, the unassigned fund balance of the General Fund was \$9,242,990.

Special Revenue Funds

The changes in the special revenue funds from year to year were as follows:

The Measure Y fund reported a fund balance of \$16,195,080 as of June 30, 2025, which is a decrease from a balance of \$21,845,411 as of June 30, 2024. The decrease of \$5,650,331 in fund balance was primarily driven by an increase of \$5,089,539 in capital outlay related to various library branch modernization projects and an increase of \$589,882 in salaries and benefits.

The Other funds reported a fund balance of \$5,434,124 in the basic statements as of June 30, 2025, which is an increase from a balance of \$5,023,524 as of June 30, 2024. This represents an increase of \$410,600 for the year ended June 30, 2025. The increase was due to increased grants and contributions and an increase in investment income.

CAPITAL ASSETS

The Library's capital assets balance as of June 30, 2025, amounted to \$21,051,092 (net of accumulated depreciation).

<u>June 30,</u>	<u>2025</u>	<u>2024</u>	<u>Change</u>
Land	\$ 207,000	\$ 207,000	\$ -
Construction in progress	5,376,861	2,338,660	3,038,201
Buildings and improvements	9,991,829	5,800,115	4,191,714
Furnishings and equipment	2,653,137	2,507,870	145,267
Vehicles	342,723	411,772	(69,049)
SBITA assets	31,490	64,996	(33,506)
Right-to-use leased assets	<u>2,448,052</u>	<u>3,137,585</u>	<u>(689,533)</u>
Total capital assets, net	<u>\$ 21,051,092</u>	<u>\$ 14,467,998</u>	<u>\$ 6,583,094</u>

SONOMA COUNTY LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

CAPITAL ASSETS - CONT'D

Capital Assets activity during the fiscal year ended June 30, 2025, included the following:

- Right-to-use leased assets decreased by \$689,533 due to scheduled amortization of the lease asset.
- Building and improvements increased \$4,191,714 primarily due to the completion of the Healdsburg Branch modernization, the Windsor Branch modernization, and an upgraded security system.
- Furnishings and equipment increased by \$145,267 due to the installation of new self-check machines at various branches and an automated library material handler.
- Construction in progress increased by \$3,038,201 mainly due to continued work on the Petaluma Branch modernization project.

Additional information on the Library's capital assets can be found in Note 4 to these financial statements.

DEBT ADMINISTRATION

Long-term debt at the end of the current fiscal year are as follows:

<u>June 30,</u>	<u>2025</u>	<u>2024</u>	<u>Change</u>
Compensated absences	\$ 3,116,924	\$ 1,915,773	\$ 1,201,151
Health reimbursement account liability	944,581	757,533	187,048
Financed purchases	-	29,691	(29,691)
Lease liability	2,647,766	3,322,700	(674,934)
SBITA liability	29,387	62,846	(33,459)
Net pension liability	17,561,983	15,964,195	1,597,788
Net OPEB Liability	<u>7,912,639</u>	<u>8,358,485</u>	<u>(445,846)</u>
Total	<u>\$ 32,213,280</u>	<u>\$ 30,411,223</u>	<u>\$ 1,802,057</u>

Highlights of the Library's long-term debt activity are as follows:

- The health reimbursement account liability increased from prior year because contributions to the plan exceeded withdrawals. The health reimbursement account liability is offset by restricted assets in the Statement of Net Position.
- The compensated absences liability increased by \$1,201,151. Of this amount, \$1,100,027 was due to the implementation of GASB Statement No. 101, *Compensated Absences*. See Note 13 for additional information.
- The lease liability decreased by \$674,934 due to scheduled lease payments.
- The net pension liability increased by \$1,597,788, primarily due to differences between actual and expected experience related to employee retirements and investment performance.

**SONOMA COUNTY LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

DEBT ADMINISTRATION - CONT'D

- To address the unfunded liability related to other postemployment benefits (OPEB), the Library Commission approved a revised OPEB policy during the 2018-19 fiscal year. Under the new policy, the Library's made direct contributions to the OPEB Trust. The additional payments of \$8,156,128 between the fiscal years ended June 30, 2019 through 2024 and \$750,000 additional payment during the fiscal year ended June 30, 2025, reduced the OPEB liability over the past six years.

The Library is committed to make additional payments of \$750,000 per year through fiscal year 2027-28. More detailed information about the Library's compensated absences is presented in Note 10, the pension liability in Note 5, and other post-employment benefits in Note 6 to these financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were a few variances between the budget and actuals in the General Fund that are worth noting for the year ended June 30, 2025. The actual property tax revenue received was \$1,387,240 higher than the budgeted amount due to greater than anticipated increases in the assessed value of taxable property. Investment income was higher than budgeted by \$866,047 due to greater returns on investments and unrealized gains. Salaries and benefits were under budget \$391,660 due to unfilled positions. Operating expenditures were under budget by \$1,765,861 due to lower than anticipated spending on contracted services, information technology services and utilities. Capital outlay was under budget by \$3,979,892 due to project delays.

ECONOMIC FACTORS AND NEW YEAR'S BUDGET

For fiscal year 2025-26, the two major sources of revenue for the Library are property and sales tax. Property tax revenue is expected to increase due to increased home values. Sales tax is expected to experience continued uncertainty due to changes in consumer spending on goods. In the fiscal year 2025-26 budget there is a decrease in operating expenditures for supplies both physical and electronic materials. In addition, there are increases in salaries and employee benefits due to increases in the cost of retirement and health benefits.

CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the Library's finances and to show the Library's accountability for the funds that the Library's receives. Any inquiries about this report or requests for additional information may be directed to Erika Thibault, Director, 6135 State Farm Drive, Rohnert Park, CA 94928.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

SONOMA COUNTY LIBRARY
STATEMENT OF NET POSITION
JUNE 30, 2025

ASSETS

Current assets

Cash and investments	\$ 40,294,567
Accounts receivable	220,458
Sales tax receivable	3,201,783
Prepaid items	2,975,912
Other assets	47,925
Restricted cash and investments - flexible savings accounts	<u>39,837</u>
Total current assets	<u>46,780,482</u>

Noncurrent assets

Restricted cash and investments - health reimbursement accounts	1,063,324
Capital assets not being depreciated:	
Land	207,000
Construction in progress	5,376,861
Capital assets (net of accumulated depreciation):	
Building and improvements	9,991,829
Furnishings and equipment	2,653,137
Vehicles	342,723
SBITA assets	31,490
Lease assets	<u>2,448,052</u>
Total noncurrent assets	<u>22,114,416</u>
Total assets	<u>68,894,898</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred pensions	8,934,018
Deferred OPEB	<u>2,919,679</u>
Total deferred outflows of resources	<u>11,853,697</u>
Total assets and deferred outflows of resources	<u>80,748,595</u>

LIABILITIES

Current liabilities

Accounts payable and accrued liabilities	2,361,850
Interest payable	4,521
Compensated absences	1,514,453
Lease liability	712,321
SBITA liability	29,387
Unearned revenue	<u>428,147</u>
Total current liabilities	<u>5,050,679</u>

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

SONOMA COUNTY LIBRARY
STATEMENT OF NET POSITION
JUNE 30, 2025

Noncurrent liabilities

Compensated absences, net of current	1,602,471
Health reimbursement account liability	944,581
Lease liability, net of current	1,935,445
Net pension liability	17,561,983
Net OPEB liability	<u>7,912,639</u>
Total noncurrent liabilities	<u>29,957,119</u>
Total liabilities	<u>35,007,798</u>

DEFERRED INFLOWS OF RESOURCES

Deferred pensions	248,917
Deferred OPEB	<u>1,510,791</u>
Total deferred inflows of resources	<u>1,759,708</u>
Total liabilities and deferred inflows of resources	<u>36,767,506</u>

NET POSITION

Investment in capital assets	18,373,939
Restricted	22,599,978
Unrestricted	<u>3,007,172</u>
Total net position	<u>43,981,089</u>
Total liabilities, deferred inflows of resources, and net position	<u><u>\$ 80,748,595</u></u>

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

SONOMA COUNTY LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

	<u>2025</u>
PROGRAM EXPENSES	
Library Services:	
Personnel	\$ 29,054,155
Other program expenses	8,747,796
Materials	4,155,330
Depreciation and amortization	1,776,152
Loss on disposal of capital assets	45,108
Interest	<u>51,242</u>
Total program expenses	<u>43,829,783</u>
PROGRAM REVENUES	
Operating grants and contributions	2,207,515
Charges for fines, fees and services	<u>175,119</u>
Total program revenues	<u>2,382,634</u>
Net program expenses	<u>41,447,149</u>
GENERAL REVENUES	
Property taxes	29,281,013
Sales tax - Measure Y	15,460,709
Investment earnings	2,256,875
Miscellaneous	<u>172,199</u>
Total general revenues	<u>47,170,796</u>
Change in net position	<u>5,723,647</u>
Net position, beginning of year	39,357,469
Change in accounting principle (Note 13)	<u>(1,100,027)</u>
Net position, beginning of year, <i>restated</i>	<u>38,257,442</u>
Net position, end of year	<u><u>\$ 43,981,089</u></u>

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

FUND FINANCIAL STATEMENTS

SONOMA COUNTY LIBRARY
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2025

	<u>General Fund</u>	<u>Measure Y</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 19,959,778	\$ 14,895,148	\$ 5,439,641	\$ 40,294,567
Accounts receivable	163,893	56,565	-	220,458
Sales tax receivable	-	3,201,783	-	3,201,783
Prepaid items	2,883,362	92,550	-	2,975,912
Due from other funds	187,966	9,380	-	197,346
Other assets	47,925	-	-	47,925
Restricted assets:				
Restricted cash and investments	<u>1,103,161</u>	<u>-</u>	<u>-</u>	<u>1,103,161</u>
Total assets	<u>24,346,085</u>	<u>18,255,426</u>	<u>5,439,641</u>	<u>48,041,152</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	812,040	1,544,293	5,517	2,361,850
Unearned revenue	100,060	328,087	-	428,147
Due to other funds	<u>9,380</u>	<u>187,966</u>	<u>-</u>	<u>197,346</u>
Total liabilities	<u>921,480</u>	<u>2,060,346</u>	<u>5,517</u>	<u>2,987,343</u>
FUND BALANCES				
Nonspendable	2,931,287	92,550	-	3,023,837
Restricted	1,063,324	16,102,530	5,434,124	22,599,978
Committed:				
Stabilization fund	6,831,515	-	-	6,831,515
Capital improvement and replacement	3,181,806	-	-	3,181,806
Major maintenance	173,683	-	-	173,683
Unassigned	<u>9,242,990</u>	<u>-</u>	<u>-</u>	<u>9,242,990</u>
Total fund balances	<u>23,424,605</u>	<u>16,195,080</u>	<u>5,434,124</u>	<u>45,053,809</u>
Total liabilities and fund balances	<u>\$ 24,346,085</u>	<u>\$ 18,255,426</u>	<u>\$ 5,439,641</u>	<u>\$ 48,041,152</u>

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

SONOMA COUNTY LIBRARY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total fund balances - governmental funds	\$ 45,053,809
Total net position reported in the statement of net position is different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds:	
Capital assets, net	21,051,092
Deferred outflows of resources are reported in the statement of net position but not reported in the governmental funds	11,853,697
Deferred inflows of resources are reported in the statement of net position but not reported in the governmental funds	(1,759,708)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:	
Compensated absences	(3,116,924)
Health reimbursement account liability	(944,581)
Lease liability	(2,647,766)
SBITA liability	(29,387)
Interest payable	(4,521)
Net pension liability	(17,561,983)
Net OPEB liability	<u>(7,912,639)</u>
Total net position	<u><u>\$ 43,981,089</u></u>

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

SONOMA COUNTY LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	<u>General Fund</u>	<u>Measure Y</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 29,281,013	\$ -	\$ -	\$ 29,281,013
Sales tax - Measure Y	-	15,460,709	-	15,460,709
Fines, fees, and services	115,879	59,240	-	175,119
Investment income	1,016,047	952,282	288,546	2,256,875
Intergovernmental	480,701	755,518	-	1,236,219
Grants and contributions	116,002	501,296	353,998	971,296
Miscellaneous	<u>113,268</u>	<u>58,931</u>	<u>-</u>	<u>172,199</u>
Total revenues	<u>31,122,910</u>	<u>17,787,976</u>	<u>642,544</u>	<u>49,553,430</u>
EXPENDITURES				
Current:				
Salaries and benefits	18,123,662	11,566,023	-	29,689,685
Operating	8,468,211	4,206,666	157,121	12,831,998
Other expenses	-	-	10,000	10,000
Capital outlay	835,059	7,573,830	56,593	8,465,482
Debt service:				
Principal	648,722	89,362	-	738,084
Interest	<u>48,000</u>	<u>4,977</u>	<u>-</u>	<u>52,977</u>
Total expenditures	<u>28,123,654</u>	<u>23,440,858</u>	<u>223,714</u>	<u>51,788,226</u>
Excess/(deficiency) of revenues over/(under) expenditures	<u>2,999,256</u>	<u>(5,652,882)</u>	<u>418,830</u>	<u>(2,234,796)</u>
OTHER FINANCING SOURCES				
Transfer in	<u>5,679</u>	<u>2,551</u>	<u>(8,230)</u>	<u>-</u>
Total other financing sources	<u>5,679</u>	<u>2,551</u>	<u>(8,230)</u>	<u>-</u>
Net change in fund balances	3,004,935	(5,650,331)	410,600	(2,234,796)
Fund balances, beginning of year	<u>20,419,670</u>	<u>21,845,411</u>	<u>5,023,524</u>	<u>47,288,605</u>
Fund balances, end of year	<u>\$ 23,424,605</u>	<u>\$ 16,195,080</u>	<u>\$ 5,434,124</u>	<u>\$ 45,053,809</u>

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

SONOMA COUNTY LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Net change in fund balances - governmental funds: \$ (2,234,796)

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense.

Capital outlay	8,465,482	
Depreciation and amortization expenses	(1,776,152)	
Reclassification of CIP to operating expense	(61,128)	
Loss on disposal of capital assets	(45,108)	6,583,094

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds and reduces long-term liabilities in the statement of net position.

738,084

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in net pension liability	526,031	
Change in HRA liability	(187,048)	
Change in compensated absences liability	(101,124)	
Change in net other postemployment benefits liability	397,671	
Change in interest payable	1,735	637,265

Change in net position - governmental activities \$ 5,723,647

SONOMA COUNTY LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 - DEFINING THE FINANCIAL REPORTING ENTITY

The Sonoma County Library (the "Library") is a joint powers agency established between the County of Sonoma (the "County") and cities in 1975 to provide library services on an equitable basis throughout the County. On August 1, 2014, the Joint Powers Agreement (JPA) was amended, providing additional jurisdictional representation on the Library Commission.

A full copy of the amended and restated JPA can be found on the Library's website at www.sonomalibrary.org.

The Library is now governed by an eleven-member Library Commission (the "Commission") which includes one appointee of the Sonoma County Board of Supervisors, one appointee each from the cities of Cotati, Cloverdale, Healdsburg, Petaluma, Rohnert Park, Santa Rosa, Sebastopol, and Sonoma, one appointee from the town of Windsor and one appointee jointly elected by the city of Santa Rosa and the Sonoma County Board of Supervisors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information on the Library as a whole. The effect of inter-fund activity has been removed from these statements. The Library does not have any activities that are considered business-type activities.

The statement of net position presents the financial condition of the government activities of the Library at year end. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Program expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

During the year, the Library segregates transactions in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at a more detailed level. The focus of governmental fund financial statements is on major funds. The major funds are presented in separate columns. Non-major funds are aggregated and presented in a single column.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the Library are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Revenues from grants and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider are met.

SONOMA COUNTY LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Cont'd

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Taxes other than property taxes, interest, certain state and federal grants, and charges for services are accrued when they are collected within 90 days of the end of the accounting period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving the Library the right to use lease assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

The Library reports the following major governmental funds:

General Fund: The General Fund is the principal fund of the Library. General tax revenues and other sources of revenue used to finance the fundamental operations of the Library are accounted for in this fund. General operating expenditures are paid from this fund.

Measure Y Fund: The Measure Y fund is a major fund that was established after the Sonoma County Library Sales Tax Initiative was passed in November 2016. The 1/8 cent sales tax began on April 1, 2017, and funds are exclusively used to supplement existing funding for Library operations, maintaining and enhancing Library hours and programs, acquisitions, and construction and modernization.

Other special revenue funds of the Library are non-major funds. Other special revenue funds are used to account for specific revenues that are assigned to expenditures for particular purposes.

Cash and Investments

The Library's operating cash is pooled with the Sonoma County Treasurer, except for other cash, which consists of petty cash and a payroll clearing account, an FSA account, an HRA account and a separate checking and cost recovery account used as a clearing account for transfers to the Sonoma County Treasurer. Restricted cash balances represent amounts held by outside parties for the Library's flexible spending account and health reimbursement accounts. The County Treasurer also acts as disbursing agent for the Library.

Investments are stated at fair value in the statement of net position and the corresponding changes in fair value of investments are recognized in the year in which the change occurred. The fair value of investments is determined quarterly. Realized and unrealized gains or losses and interest earned on pooled investments are allocated quarterly to the appropriate funds based on their respective average daily balance for that quarter.

Capital Assets

Capital assets, which include land, buildings, building improvements, vehicles, furnishings and equipment, and right-to-use lease assets are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at the estimated fair value at the date of donation.

SONOMA COUNTY LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Capital Assets - Cont'd

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, the right to use leased equipment, and infrastructure of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Buildings	50 years
Building and improvements	20-30 years
Vehicles	5-10 years
Furnishing and equipment	5 years
Right-to-use lease assets	Shorter of the lease term or the useful life of the underlying asset
Right-to-use SBITA assets	Shorter of the subscription term or the useful life of the underlying asset

The Library's collection of library books is not capitalized. This collection is unencumbered, held for public exhibition and education, protected, cared for and preserved, and subject to the Library's policy that requires proceeds from the sale of these items to be used to acquire other collection items.

Leases

The Library is a lessee for noncancelable leases of equipment and buildings. The Library recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The Library recognizes lease assets and associated liabilities with an initial individual asset value of \$5,000 or more.

At the commencement of a lease, the Library initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initially amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

The Library uses estimates and judgements to determine 1) the discount rate it uses to discount the expected lease payments to present value, and 2) the lease term. The Library uses the interest rate identified in the contract as the discount rate. If no interest rate is specified, the Library uses its estimated incremental borrowing rate as the discount rate. The lease term includes the noncancelable period of the lease and extensions the Library is reasonably certain to exercise. The Library monitors changes in circumstances that are expected to significantly affect the amount of a lease liability or receivable that may require a remeasurement of its lease.

SONOMA COUNTY LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Subscription-Based Information Technology Arrangements

A subscription-based information technology arrangement (SBITA) is defined as a contractual agreement that conveys control of the right-to-use another entity's IT asset, alone, or in conjunction with a tangible capital asset, for a minimum contractual period of greater than one year, in an exchange or exchange-like transaction. The Library recognizes a subscription liability and right-to-use software asset in the government-wide financial statements. The Library recognizes subscription assets and associated liabilities with an initial individual asset value of over \$5,000 or more.

The Library measures the subscription liability at the present value of all payments expected to be made during the subscription term. The subscription liability is reduced by the principal portion as the subscription payments are made. The right-to-use software assets measured as the amount of the initial measurement of the subscription liability plus any payments made to the vendor at commencement of the subscription term and any capitalizable initial implementation costs. The right-to-use software assets are amortized on a straight-line basis over the shorter of the subscription term or useful life of the IT asset.

Key estimates related to subscriptions include the rate used to discount expected subscription payments and the subscription term. The Library uses its estimated incremental borrowing rate as the discount rate. The lease term includes the noncancelable period of the subscription term and extensions that the Library is reasonably certain to exercise. The Library monitors changes in circumstances that are expected to significantly affect the amount of a SBITA liability that may require remeasurement of the SBITA.

Compensated Absences

The Library's policy for compensated absences involves recording a liability for unused leave time that is earned, accumulates, and is considered *more likely than not* to be used or settled. More likely than not means a likelihood of over 50%, and this assessment is based on employment policies, agreements, and historical usage data. Compensated absences liability include salary-related payments, which are obligations directly and incrementally associated with leave; examples of salary-related payments are Medicare taxes.

The Library recognizes a liability for accumulated vacation and compensated absences because historical data suggests it is more likely than not to be used or paid out. For sick leave, a liability is recognized only for the portion more likely than not to be used for time off or settled in cash based on usage and forfeiture rates. Leave taken as needed or triggered by sporadic events is not recognized as a liability until it is actually taken or commences. Compensated absences more likely than not to be settled by conversion to service credits are excluded and reported as part of net pension liability.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenues) until that time.

SONOMA COUNTY LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Net Position - Government-wide Financial Statements

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. "*Net position invested in capital assets*" consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. "*Restricted net position*" is reported as restricted if the use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. "*Unrestricted net position*" consists of all other net position that does not meet the definition of the above two components and is available for general use by the Library.

Fund Balances - Governmental Funds

Governmental funds report fund balances in specifically defined classifications in accordance with the criteria established by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Library classifies fund balances into the following five categories:

Nonspendable fund balance - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted fund balance - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance - amounts that can only be used for specific purposes determined by formal action of the Library's highest level of decision-making authority (the Library Commission) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned fund balance - amounts that are constrained by the Library's intent to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.

Unassigned fund balance - the residual classification for the Library's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

When both restricted and unrestricted resources are available for use, it is the Library's policy to use restricted resources first, then unrestricted resources as they are needed.

Property Taxes

Property taxes, including tax rates, are regulated by the State and are administered locally by the County. The County is responsible for assessing, collecting and distributing property taxes in accordance with state law. The County is also responsible for the allocation of property taxes to the Library.

The County has adopted the Teeter Alternative Method of Property Tax Allocation known as the "Teeter Plan." The State Revenue and Taxation Code allow counties to distribute secured real property and supplemental property taxes on an accrual basis resulting in full payment to the Library each fiscal year. Any subsequent delinquent payments and related penalties and interest will revert to the County.

SONOMA COUNTY LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

Property Taxes - Cont'd

Property taxes are recognized as revenue when they are levied. Liens on real property are established January 1 for the ensuing fiscal year. The property tax is levied as of July 1 on all taxable property located in the County. Secured property taxes are due in two equal installments on November 1 and February 1, and are delinquent after December 10 and April 10, respectively. Additionally, supplemental property taxes are levied on a pro rata basis when changes in assessed valuation occur due to sales transactions or the completion of construction. Property tax collection and valuation information is disclosed in the County's Annual Comprehensive Financial Report.

Sales Tax Revenue and Receivable

Sales tax receivable represents the sales tax amount allocated to the Library through Measure Y as discussed in Note 12, but uncollected at year end. Due to the nature of the sales tax receivable, management does not consider any portion uncollectible.

Sales tax revenues are presented net of administrative assessments by the State Board of Equalization in the amount of \$407,000 during the fiscal year ended June 30, 2025.

Estimates

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

Stewardship, Compliance, and Accountability

Budget and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund, and the Measure Y fund. The Library Director is authorized to transfer budgeted amounts within any character (group of accounts); however, any revisions that alter the total appropriations of any fund must be approved by the Library Commission. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances technically lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and become part of the subsequent year's budget pursuant to state regulations, and the encumbrances are automatically reestablished in the next year. Budget to actual schedules are presented as required supplementary information.

New Accounting Pronouncements

The following GASB statements have been implemented for the fiscal year ended June 30, 2025:

GASB Statement No. 101, (*Compensated Absences*): The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The effect of the implementation of this standard on beginning net position is disclosed in Note 13.

SONOMA COUNTY LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D

New Accounting Pronouncements - Cont'd

GASB Statement No. 102, (*Certain Risk Disclosures*): The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints.

Future Governmental Accounting Pronouncement

Statement No. 103 (*Financial Reporting Model Improvements*): Effective for the fiscal years beginning after June 15, 2025, this statement improves key components of the financial reporting model to enhance effectiveness in providing information that is essential for decision making and assessing a governments accountability. This Statement also addresses certain application issues.

Statement No. 104 (*Disclosure of Certain Capital Assets*): GASB Statement No. 104, Disclosure of Certain Capital Assets issued in September 2024, this Statement is effective for fiscal years beginning after June 15, 2025, and for all reporting periods thereafter. Earlier application is encouraged. The Library is currently evaluating the impact of these Statements on the financial statements.

NOTE 3 - CASH AND INVESTMENTS

The Library follows the practice of pooling substantially all cash and investments with the Sonoma County Treasurer (the Treasurer) except for petty cash, a payroll clearing account, a cost recovery clearing account, and restricted cash balances related to the flexible spending account and health reimbursement account programs held with a financial institution.

Investment Guidelines and Authorized Investments

The Library's pooled cash and investments are invested pursuant to investment policy guidelines established by the Treasurer and approved by the Sonoma County Board of Supervisors.

The objectives of the policy are, in order of priority: safety of capital, liquidity, and maximum rate of return. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity.

SONOMA COUNTY LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 - CASH AND INVESTMENTS - CONT'D

Investment Guidelines and Authorized Investments - Cont'd

Permitted investments include the following:

- U.S. Treasury and Federal agency securities
- Bonds issued by local agencies
- Registered State warrants and municipal notes
- Negotiable certificates of deposit
- Bankers' acceptances
- Commercial paper
- Medium-term corporate notes
- Local Agency Investment Fund (State Pool) demand deposits
- Repurchase agreements
- Reverse repurchases agreements
- Shares of a mutual fund average life
- Mutual funds and money market mutual funds
- Collateralized mortgage obligations
- Collateralized time deposits
- Joint powers authority pools
- Investment Trust of California (Caltrust)

A copy of the County Investment Policy is available upon request from the Treasurer at 585 Fiscal Drive, Room 100, Santa Rosa, California 95403.

Investment in County Treasurer's Pool

Cash and investments as of June 30, 2025 are classified in the accompanying statement of net position as follows:

Investment in the Sonoma County Treasury Pool	\$ 40,266,291
Nonpooled cash and investments:	
Petty cash	940
Unrestricted (Payroll and cost recovery)	27,336
Restricted for flexible savings accounts	39,837
Restricted for health reimbursement accounts	<u>1,063,324</u>
Total cash and investments	<u><u>\$ 41,397,728</u></u>

As of June 30, 2025, the Library's investments in the Treasury Pool had a weighted average days to maturity of 732 days. The value of the Library's investment in this pool is based on the Library'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 credit rating, fair value measurement, and other information regarding the Treasury Pool for the fiscal year ended June 30, 2025, is disclosed in the County's Annual Comprehensive Financial Report.

SONOMA COUNTY LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 - CASH AND INVESTMENTS - CONT'D

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 interest rates. As of June 30, 2025, the Library had no investments other than the cash and investments pooled with the County Treasury.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Treasury Pool does not have a rating provided by a nationally recognized statistical rating organization.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. It generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the Treasury Pool).

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the Library's investment in a single user. The investment policy of the Library contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. There were no non-pooled investments in any one issuer that represent 5% or more of total Library's investments.

The Library maintains other cash in a financial institution insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). At times, the cash balance may exceed the FDIC insurance coverage amount. Amounts in excess of the FDIC insurance coverage are collateralized.

Fair Value Measurements

The net increase in fair value of investments by fund included in investment income for the year ended June 30, 2025, is as follows:

General Fund	\$ 286,553
Measure Y	295,795
Other Fund	<u>77,282</u>
Total	<u><u>\$ 659,630</u></u>

SONOMA COUNTY LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended June 30, 2025 was as follows.

	July 1, 2024	Increase	Decrease	Transfer and Reclassification	June 30, 2025
Capital assets, not being depreciated					
Land	\$ 207,000	\$ -	\$ -	\$ -	\$ 207,000
Construction in progress	<u>2,338,660</u>	<u>7,821,280</u>	<u>(61,128)</u>	<u>(4,721,951)</u>	<u>5,376,861</u>
Total capital assets, not being depreciated	<u>2,545,660</u>	<u>7,821,280</u>	<u>(61,128)</u>	<u>(4,721,951)</u>	<u>5,583,861</u>
Capital assets, being depreciated/amortized					
Building and improvements	8,500,664	170,725	(150,673)	4,404,536	12,925,252
Furnishings and equipment	6,611,360	473,477	(1,081,479)	317,415	6,320,773
Vehicles	696,546	-	(735)	-	695,811
Right-to-use SBITA assets	102,667	-	(14,481)	-	88,186
Right-to-use leased equipment	243,297	-	-	-	243,297
Right-to-use leased buildings	<u>4,915,229</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,915,229</u>
Total capital assets, being depreciated	<u>21,069,763</u>	<u>644,202</u>	<u>(1,247,368)</u>	<u>4,721,951</u>	<u>25,188,548</u>
Less: accumulated depreciation for					
Building and improvements	(2,700,549)	(343,911)	111,037	-	(2,933,423)
Furnishings and equipment	(4,103,490)	(640,153)	1,076,007	-	(3,667,636)
Vehicles	(284,774)	(69,049)	735	-	(353,088)
Right-to-use SBITA assets	(37,671)	(33,506)	14,481	-	(56,696)
Right-to-use leased equipment	(145,978)	(48,659)	-	-	(194,637)
Right-to-use leased buildings	<u>(1,874,963)</u>	<u>(640,874)</u>	<u>-</u>	<u>-</u>	<u>(2,515,837)</u>
Total accumulated depreciation	<u>(9,147,425)</u>	<u>(1,776,152)</u>	<u>1,202,260</u>	<u>-</u>	<u>(9,721,317)</u>
Total capital assets, being depreciated, net	<u>11,922,338</u>	<u>(1,131,950)</u>	<u>(45,108)</u>	<u>4,721,951</u>	<u>15,467,231</u>
Total capital assets, net	<u>\$ 14,467,998</u>	<u>\$ 6,689,330</u>	<u>\$ (106,236)</u>	<u>\$ -</u>	<u>\$ 21,051,092</u>

Depreciation and amortization expense relating to governmental activities amounted to \$1,776,152 for the year ended June 30, 2025. Loss on disposal of building and improvements and furnishings and equipment were \$39,636, and \$5,472, respectively. Construction in progress in the amount of \$4,721,951 was reclassified into building and improvements and furnishings and equipment of \$4,404,536 and \$317,415, respectively.

SONOMA COUNTY LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5 - DEFINED BENEFIT PENSION PLAN

Plan Description

The Library contributes to the California PERS ("CalPERS"), an agent multiple-employer public employee defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and county ordinance. Copies of CalPERS' annual financial report may be obtained from its executive office: 400 Q Street, Sacramento, California 95814.

In September 2012, Governor Brown signed the Public Employer Pension Reform Act of 2013 ("PEPRA"). PEPRA went into effect on January 01, 2013. The impact of PEPRA on the Library's retirement benefits is that all new employees are mandated into a new tier of CalPERS retirement benefits titled 2.0% at age 62 (PEPRA). As of the June 30, 2024 measurement date, there were 67 covered employees under the 2.0% at 55 (Classic) plan and 186 covered employees under the 2.0% at 62 (PEPRA) plans.

Funding Policy

Classic participants are required to contribute 7.00% of their annual covered salary. PEPRA plan participants are required to contribute 8.75% of their annual covered salary. The Library is also required to contribute at an actuarially determined rate. The rate for the fiscal year ended June 30, 2025, was 11.13% of the annual covered payroll and was established by CalPERS in connection with the June 30, 2022, actuarial study. The contribution requirements of plan members and the Library are established and may be amended by CalPERS.

Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

As of June 30, 2025, the Library reported \$17,561,983 for its net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023.

For the fiscal year ended June 30, 2025, the Library recognized pension expense of \$4,596,257 in the government-wide financial statements. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits.

As of June 30, 2025, the Library reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,940,648	\$ (248,917)
Changes in assumptions	183,513	-
Net difference between projected and actual earnings on retirement plan investments	1,123,667	-
Contributions subsequent to the measurement date	<u>3,686,190</u>	<u>-</u>
	<u>\$ 8,934,018</u>	<u>\$ (248,917)</u>

SONOMA COUNTY LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5 - DEFINED BENEFIT PENSION PLAN - CONT'D

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner.

The \$3,686,190 of deferred outflows of resources related to contributions made subsequent to the measurement date as of June 30, 2025 will be recognized as a reduction of the net pension liability in the year ending June 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2026	\$ 1,222,939
2027	3,083,269
2028	598,361
2029	<u>94,342</u>
	<u><u>\$ 4,998,911</u></u>

Actuarial Assumptions

The total pension liability as of the June 30, 2025, reporting date was determined based on the following actuarial assumptions:

Reporting date	June 30, 2025
Valuation date	June 30, 2023
Measurement date	June 30, 2024
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Inflation	2.30%
Projected payroll growth	2.80%
Investment rate of return	6.80%

Sensitivity of the Library's Net Pension Liability to Changes in the Discount Rate

The discount rate used to measure the net pension liability as of the June 30, 2024 measurement date was 6.90%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates.

The following table presents the Library's share of the net pension liability calculated as of June 30, 2024, the measurement date, using a discount rate that is 1-percentage point lower (5.90%) or 1-percentage point higher (7.90%) than the current rate:

	<u>1% Decrease</u> <u>5.90%</u>	<u>Discount Rate</u> <u>6.90%</u>	<u>1% Increase</u> <u>7.90%</u>
Plan's Net Pension Liability	<u>\$ 28,957,725</u>	<u>\$ 17,561,983</u>	<u>\$ 8,041,310</u>

SONOMA COUNTY LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 6 - OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 5, the Library provides other postemployment benefits ("OPEB") for retired employees through the California Employers' Retirement Benefit Trust fund.

Plan Description

The Library, through an agent multiple-employer plan, provides health insurance benefits to all career employees who have retired as of July 01, 1983, and thereafter at the same level of benefits as those being provided for current career employees and in accordance with the schedule of payments for the same.

Benefits Provided

The Library contributes toward post-retirement benefits for employees who retire under CalPERS and choose medical coverage under plans offered to Library employees. The Library pays a portion of the monthly medical premiums, up to a maximum of 80%, 82%, or 84%, depending on the employee's employment tier while working. These percentages are prorated if the retiring employee worked less than full-time. The retired employee is responsible for paying the balance of the premiums. This benefit is provided by Library Commission approval of the employee labor union Memorandum of Understanding.

Benefits are paid for the lifetime of the retired employee, as long as the retiree remains covered under employer-sponsored health plans and pays their share of the monthly premiums. For employees hired before July 01, 1997, a spouse or domestic partner is also covered. For employees hired between July 01, 1997, and November 05, 2013, a spouse or domestic partner is covered if the retiree worked at least 20 years. For all other retirees, dependents may be covered if the retiree pays the premiums. Benefits for employees hired after November 05, 2013 cease at age 65.

The Library also reimburses covered retirees for Medicare Part B premiums. Retired employees may be covered under the Library's dental and vision plans, but must pay the entire premium for those coverages.

Employees Covered by Benefit Terms

As of the June 30, 2024 measurement date, the following employees were covered by the benefit terms:

Active employees	255
Retirees and beneficiaries currently receiving benefits	103
Inactive employees entitled to but not yet receiving benefits	<u>63</u>
Total	<u><u>421</u></u>

Contributions

The contribution requirements of OPEB plan members and the Library are established and may be amended by agreement of the Library Commission and employee labor union. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to fund benefits as determined annually by the Library Commission. For the year ended June 30, 2025, the Library contributed \$1,618,078, which includes the current pay-as-you-go portion of the current premium, plus an additional \$750,000. Total contributions during the fiscal year ended June 30, 2025 represented 8% of covered payroll. OPEB plan members receiving benefits are currently not required to contribute.

SONOMA COUNTY LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 6 - OTHER POST EMPLOYMENT BENEFITS - CONT'D

Net OPEB Liability

The Library's net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023.

Actuarial Assumptions

The total OPEB liability as of June 30, 2025, was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	2.75%
Investment rate of return	5.25%

The non-medicare medical trends grade from 8.5% in 2025, decreasing to an ultimate rate of 3.45% in 2076. The Medicare (non-Kaiser) medical trends grade from 7.5% in 2025, decreasing to an ultimate rate 3.45% in 2076. The Medicare (Kaiser) medical trends grade from 6.25% in 2025, decreasing to an ultimate rate 3.45% in 2076. Mortality rates were based on the CalPERS 2000-2019 experience study.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class for the June 30, 2024 measurement date is summarized in the following table:

<u>Asset class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
Global equity	23.00 %	4.56 %
Fixed income	51.00 %	1.56 %
Treasury securities	9.00 %	(0.08)%
Real estate trusts	14.00 %	4.06 %
Commodities	3.00 %	1.22 %
Total	<u>100.00 %</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 5.25%. The projection of cash flows used to determine the discount rate assumed that Library contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

SONOMA COUNTY LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 6 - OTHER POST EMPLOYMENT BENEFITS - CONT'D

Changes in the Net OPEB Liability for the fiscal year ended June 30, 2025

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance as of June 30, 2024	\$ 18,084,034	\$ 9,725,549	\$ 8,358,485
Changes for the year:			
Service cost	755,994	-	755,994
Interest	967,689	-	967,689
Contributions - employer	-	1,573,896	(1,573,896)
Net investment income	-	606,911	(606,911)
Benefit payments	(815,728)	(815,728)	-
Administrative expense	-	(11,278)	11,278
Net changes	<u>907,955</u>	<u>1,353,801</u>	<u>(445,846)</u>
Balances as of June 30, 2025	<u>\$ 18,991,989</u>	<u>\$ 11,079,350</u>	<u>\$ 7,912,639</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Library, as well as what the Library's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25%) or 1-percentage-point higher (6.25%) than the current discount rate:

	<u>1% Decrease 4.25%</u>	<u>Current Discount Rate 5.25%</u>	<u>1% Increase 6.25%</u>
Net OPEB Liability	<u>\$ 10,276,526</u>	<u>\$ 7,912,639</u>	<u>\$ 5,934,486</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates

The following presents the net OPEB liability of the Library, as well as what the Library's net OPEB liability would be if it were calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Trend</u>	<u>1% Increase</u>
Net OPEB Liability	<u>\$ 5,753,561</u>	<u>\$ 7,912,639</u>	<u>\$ 10,534,956</u>

SONOMA COUNTY LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 6 - OTHER POST EMPLOYMENT BENEFITS - CONT'D

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2025, the Library recognized OPEB expense of \$1,220,407. As of June 30, 2025, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Year Ended June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between actual and expected experience	\$ 67,292	\$ (290,030)
Changes in assumptions	731,054	(1,220,761)
Net difference between projected and actual earnings on OPEB plan investments	503,255	-
Contributions subsequent to the measurement date	<u>1,618,078</u>	<u>-</u>
Total	<u>\$ 2,919,679</u>	<u>\$ (1,510,791)</u>

The \$1,618,078 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense (reduction of expense) as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2026	\$ 8,599
2027	123,242
2028	(135,244)
2029	(194,381)
2030	(27,941)
Thereafter	<u>16,535</u>
	<u>\$ (209,190)</u>

Health Reimbursement Account

For employees hired or rehired after November 06, 2013, the Library recognizes a liability for future qualified post-employment healthcare benefits. Employees hired or rehired after November 06, 2013, are eligible for this benefit. Eligibility is based upon completion of two full years of consecutive regular service with the Library with scheduled hours at least 50% of full-time. Employees earn a prorated share of the benefit up to \$1,200 per year. After an employee has worked the two full years of service an initial accrual is made and there are no further service requirements. Upon retirement from the Library and application for service retirement benefits or disability retirement benefits from CalPERS, participants ages 55 or older may submit claims for reimbursement for eligible expenses.

SONOMA COUNTY LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 7 - DEFERRED COMPENSATION PLAN

The Library has established two deferred compensation plans (the "Plans") created in accordance with California Government Code Section 53212 and Internal Revenue Code Section 457. The Plans permit employees to defer a portion of their salary until future years. Additionally, in lieu of Social Security and in accordance with FICA requirements, the Library uses these Plans to provide a deferred compensation plan for part-time, seasonal and temporary employees who are not eligible for CalPERS. The contribution rates are 4.5% for the employer and 3% for the employee.

The Plans' assets are held by CalPERS and Nationwide Insurance for the exclusive benefit of the employees and their beneficiaries and, therefore, are not recorded as assets of the Library. Each employee directs the investment of the assets in his or her account.

NOTE 8 - LEASES

As of June 30, 2025, the Library was a lessee for several noncancelable leases for buildings and equipment. As of June 30, 2025, the total value of the Library's lease liabilities was \$2,647,766. The leases interest rates range from 1.06% to 1.89%. The Library is required to make monthly principal and interest payments are \$60,929 per month.

<u>Lease</u>	<u>Lease Type</u>	<u>End Type</u>	<u>Liability as of 06/30/2024</u>	<u>Liability as of 06/30/2025</u>	<u>Monthly Payments</u>
Library Headquarters	Buildings	09/30/2028	\$ 2,257,333	\$ 1,760,384	\$ 44,822
Roseland Branch	Buildings	06/30/2031	859,907	753,982	9,912
Occidental Branch	Buildings	06/30/2028	74,289	57,201	1,500
Forestville Branch	Buildings	06/30/2029	32,392	26,548	534
Master Copier Lease	Equipment	06/30/2026	<u>98,779</u>	<u>49,651</u>	<u>4,161</u>
Total			<u>\$ 3,322,700</u>	<u>\$ 2,647,766</u>	<u>\$ 60,929</u>

Lease assets values as of June 30, 2025 were as follows:

<u>Lease</u>	<u>Value of Right-to-Use Asset</u>	<u>Accumulated Amortization June 30, 2025</u>
Building Leases:		
Library Headquarters	\$ 3,602,125	\$ 1,969,486
Roseland Branch	1,149,224	459,689
Occidental Branch	120,322	68,756
Forestville Branch	<u>43,558</u>	<u>17,906</u>
Subtotal Building Leases	4,915,229	2,515,837
Equipment Leases:		
Master Copier Lease	<u>243,297</u>	<u>194,637</u>
Total	<u>\$ 5,158,526</u>	<u>\$ 2,710,474</u>

SONOMA COUNTY LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 8 - LEASES - CONT'D

The future principal and interest lease payments as of June 30, 2025 are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 712,321	\$ 39,450	\$ 751,771
2027	684,295	27,538	711,833
2028	700,986	15,618	716,604
2029	274,911	6,015	280,926
2030	134,456	3,429	137,885
Thereafter	<u>140,797</u>	<u>1,226</u>	<u>142,023</u>
Total	<u>\$ 2,647,766</u>	<u>\$ 93,276</u>	<u>\$ 2,741,042</u>

NOTE 9 - SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

As of June 30, 2025, the total value of the Library's SBITA liability was \$29,387. The SBITA interest rate is 2.90%. Minimum annual principal and interest payments are \$30,240.

<u>Subscription</u>	<u>End Date</u>	<u>Liability as of June 30, 2025</u>	<u>Annual Payments</u>
CollectionsHQ	07/27/2026	\$ 29,387	\$ 30,240

As of June 30, 2025, the value of the right-to-use SBITA asset was \$88,186 with accumulated amortization of \$56,696.

<u>Subscription</u>	<u>Asset Value</u>	<u>Accumulated Amortization June 30, 2025</u>
CollectionsHQ	\$ 88,186	\$ 56,696

The future principal and interest payments related to this SBITA is as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 29,387	\$ 853	\$ 30,240

NOTE 10 - LONG-TERM OBLIGATIONS

Financed Purchases

In November 2020 the Library entered into an agreement to finance the acquisition of equipment. The financed purchase liability was recorded at the present value of future minimum payments at the inception of the agreement. At the beginning of the fiscal year, the financed purchase liability was \$29,691, which was fully repaid during the fiscal year ended June 30, 2025.

SONOMA COUNTY LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 10 - LONG-TERM OBLIGATIONS - CONT'D

Changes in Long-Term Obligations

A summary of changes in long-term obligations for the governmental activities is as follows:

	Balance as of July 1, 2024	Restatement	Restated Balance as of July 1, 2024	Increase	Decrease	Balance as of June 30, 2025	Due within one year
Compensated absences	\$ 1,915,773	\$ 1,100,027	\$ 3,015,800	\$ 5,403,032	\$ (5,301,908)	\$ 3,116,924	\$ 1,514,453
Health reimbursement account liability	757,533	-	757,533	187,048	-	944,581	-
Financed purchase	29,691	-	29,691	-	(29,691)	-	-
SBITA liability	62,846	-	62,846	-	(33,459)	29,387	29,387
Lease liability	3,322,700	-	3,322,700	-	(674,934)	2,647,766	712,321
Net pension liability	15,964,195	-	15,964,195	7,931,028	(6,333,240)	17,561,983	-
Net OPEB liability	8,358,485	-	8,358,485	907,955	(1,353,801)	7,912,639	-
Total	<u>\$ 30,411,223</u>	<u>\$ 1,100,027</u>	<u>\$ 31,511,250</u>	<u>\$14,429,063</u>	<u>\$(13,727,033)</u>	<u>\$32,213,280</u>	<u>\$ 2,256,161</u>

NOTE 11 - INSURANCE

The Library carries commercial insurance for all significant risks of loss which include public official liability, general liability, property and workers' compensation insurance. The limits of the general liability and automobile coverage are \$1,000,000 per occurrence. The limits of the personal property insurance are \$23,006,224. Deductibles for these perils range from \$1,000-\$5,000. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five fiscal years.

NOTE 12 - MEASURE Y SALES TAX REVENUES

The Measure Y Special Revenue Fund was created in November 2016 with the passage of the Sonoma County Library Maintenance, Restoration and Enhancement Act to account for the related sales tax revenues and expenditures of Measure Y. Measure Y is funded by a one-eighth of one percent (0.125%) sales tax in Sonoma County and created a stable funding source to supplement existing funding for Library operations. According to the Sonoma County Library Maintenance, Restoration and Enhancement Act, sales tax revenue should be used for the following:

- Maintaining and enhancing Library hours and programs
- Improving services at existing libraries
- Upgrading and maintaining facilities services and collections throughout the incorporated and unincorporated territories of the County

SONOMA COUNTY LIBRARY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2025, changes in accounting principle resulted in restatements to beginning net position as follows:

	<u>Governmental Activities</u>
Net position, as previously reported on June 30, 2024	\$ 39,357,469
Change in accounting principle:	
Compensated absence (GASB 101)	<u>(1,100,027)</u>
Net position, July 01, 2024, as restated	<u><u>\$ 38,257,442</u></u>

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The outcome of a pending arbitration personnel matter remains unresolved. While the outcome of this matter cannot be predicted with certainty, it is the opinion of management and Library's legal counsel that the likelihood is remote that the resolution of this matter will have a significant impact on the Library's financial position or operations.

NOTE 15 - SUBSEQUENT EVENTS

The Library has evaluated subsequent events through January 21, 2026, the date through which the financial statements were available to be issued. There were no subsequent events that required recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SONOMA COUNTY LIBRARY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Budgeted Amounts</u>			Variance with Final budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues				
Property taxes	\$ 27,494,569	\$27,893,773	\$ 29,281,013	\$ 1,387,240
Fines, fees and services	47,100	47,100	115,879	68,779
Investment earnings	150,000	150,000	1,016,047	866,047
Intergovernmental	545,106	625,240	480,701	(144,539)
Grants and contributions	21,000	21,000	116,002	95,002
Miscellaneous	42,000	42,000	113,268	71,268
Total revenues	<u>28,299,775</u>	<u>28,779,113</u>	<u>31,122,910</u>	<u>2,343,797</u>
Expenditures				
Current:				
Salaries and benefits	18,472,633	18,515,322	18,123,662	391,660
Operating	9,295,483	10,234,072	8,468,211	1,765,861
Capital outlay	216,930	4,814,951	835,059	3,979,892
Contingency	471,251	558,731	-	558,731
Debt service:				
Principal	33,000	33,000	648,722	(615,722)
Interest	1,500	1,500	48,000	(46,500)
Total expenditures	<u>28,490,797</u>	<u>34,157,576</u>	<u>28,123,654</u>	<u>6,033,922</u>
(Deficiency) excess of revenues (under) over expenditures	(191,022)	(5,378,463)	2,999,256	8,377,719
Other financing sources				
Transfers	-	-	5,679	5,679
Net change in fund balance	<u>\$ (191,022)</u>	<u>\$ (5,378,463)</u>	3,004,935	<u>\$ 8,383,398</u>
Fund balance, beginning of year			<u>20,419,670</u>	
Fund balance, end of year			<u>\$ 23,424,605</u>	

See accompanying notes to required supplementary information.

SONOMA COUNTY LIBRARY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MEASURE Y SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2025

	<u>Budgeted Amounts</u>			Variance with Final budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues				
Sales tax - Measure Y	\$ 16,803,911	\$15,753,783	\$ 15,460,709	\$ (293,074)
Fines, fees and services	31,400	31,400	59,240	27,840
Investment earnings	100,000	200,000	952,282	752,282
Intergovernmental	263,405	316,827	755,518	438,691
Grants and contributions	42,000	42,000	501,296	459,296
Miscellaneous	-	-	58,931	58,931
Total revenues	<u>17,240,716</u>	<u>16,344,010</u>	<u>17,787,976</u>	<u>1,443,966</u>
Expenditures				
Current:				
Salaries and benefits	11,942,548	11,916,904	11,566,023	350,881
Operating	4,885,483	4,403,224	4,206,666	196,558
Capital outlay	1,952,366	7,334,560	7,573,830	(239,270)
Contingency	314,168	111,459	-	111,459
Debt service:				
Principal	22,000	22,000	89,362	(67,362)
Interest	<u>1,000</u>	<u>1,000</u>	<u>4,977</u>	<u>(3,977)</u>
Total expenditures	<u>19,117,565</u>	<u>23,789,147</u>	<u>23,440,858</u>	<u>348,289</u>
(Deficiency) excess of revenues (under) over expenditures	(1,876,849)	(7,445,137)	(5,652,882)	1,792,255
Other financing sources				
Transfers	-	-	2,551	2,551
Net change in fund balance	<u>\$ (1,876,849)</u>	<u>\$ (7,445,137)</u>	(5,650,331)	<u>\$ 1,794,806</u>
Fund balance, beginning of year			<u>21,845,411</u>	
Fund balance, end of year			<u><u>\$ 16,195,080</u></u>	

See accompanying notes to required supplementary information.

SONOMA COUNTY LIBRARY
SCHEDULE OF THE LIBRARY PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS

Reporting date June 30,	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially determined contribution	\$ 3,188,802	\$ 3,128,442	\$ 2,848,788	\$ 2,568,370	\$ 2,480,920
Contributions in relations to the actuarially determined contribution	<u>(3,188,802)</u>	<u>(3,128,442)</u>	<u>(2,848,788)</u>	<u>(2,568,370)</u>	<u>(2,480,920)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered payroll	 \$ 17,406,138	 \$14,728,018	 \$12,991,745	 \$13,357,965	 \$ 12,194,768
 Contributions as a percentage of covered payroll*	 18.32 %	 21.24 %	 21.93 %	 19.23 %	 20.34 %

See accompanying notes to required supplementary information.

SONOMA COUNTY LIBRARY
SCHEDULE OF THE LIBRARY PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS

Reporting date June 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 2,236,524	\$ 1,869,703	\$ 1,653,431	\$ 1,352,442	\$ 1,195,632
Contributions in relations to the actuarially determined contribution	<u>(2,236,524)</u>	<u>(1,869,703)</u>	<u>(1,653,431)</u>	<u>(1,352,442)</u>	<u>(1,195,632)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered payroll	 \$10,607,284	 \$ 9,946,268	 \$ 8,244,700	 \$ 7,818,837	 \$ 7,758,220
 Contributions as a percentage of covered payroll*	 21.08 %	 18.80 %	 20.05 %	 17.30 %	 15.41 %

See accompanying notes to required supplementary information.

SONOMA COUNTY LIBRARY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

Measurement period ended June 30,	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Total pension liability:				
Service cost	\$ 3,228,839	\$ 2,776,231	\$ 2,448,944	\$ 2,392,412
Interest	6,200,918	5,694,587	5,318,164	5,280,696
Differences between expected and actual experience	3,658,071	1,967,865	(995,665)	517,235
Change in benefit terms	-	148,202	-	-
Changes in assumptions	-	-	734,058	-
Benefit payments including refunds of employee contributions	<u>(5,156,800)</u>	<u>(4,877,310)</u>	<u>(4,305,525)</u>	<u>(4,136,093)</u>
Net change in total pension liability	7,931,028	5,709,575	3,199,976	4,054,250
Total pension liability - beginning	<u>87,174,290</u>	<u>81,464,715</u>	<u>78,264,739</u>	<u>74,210,489</u>
Total pension liability - ending (A)	<u><u>\$ 95,105,318</u></u>	<u><u>\$ 87,174,290</u></u>	<u><u>\$ 81,464,715</u></u>	<u><u>\$ 78,264,739</u></u>
Plan Fiduciary Net Position:				
Contributions - employer	\$ 3,188,802	\$ 3,128,442	\$ 2,848,788	\$ 2,567,496
Contributions - employee	1,549,877	1,328,922	1,147,680	1,026,702
Net investment income	6,809,305	4,178,199	(5,503,848)	13,507,026
Benefits payments including refunds of employee contributions	(5,156,800)	(4,877,310)	(4,305,525)	(4,136,093)
Plan to plan resource movement	-	-	-	-
Administrative expense	(57,944)	(49,637)	(45,699)	(60,391)
Other miscellaneous income/(expenses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	6,333,240	3,708,616	(5,858,604)	12,904,740
Plan fiduciary net position - beginning	<u>71,210,095</u>	<u>67,501,479</u>	<u>73,360,083</u>	<u>60,455,343</u>
Plan fiduciary net position - ending (B)	<u><u>\$ 77,543,335</u></u>	<u><u>\$ 71,210,095</u></u>	<u><u>\$ 67,501,479</u></u>	<u><u>\$ 73,360,083</u></u>
Net pension liability - ending (A)-(B)	\$ 17,561,983	\$ 15,964,195	\$ 13,963,236	\$ 4,904,656
Plan FNP as a percentage of the total pension liability	81.53 %	81.69 %	82.86 %	93.73 %
Covered payroll	\$ 17,406,138	\$ 14,728,018	\$ 12,991,745	\$ 13,357,965
Plan net pension liability as a percentage of covered payroll	100.90 %	108.39 %	107.48 %	36.72 %

See accompanying notes to required supplementary information.

SONOMA COUNTY LIBRARY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

Measurement period ended June 30,	2020	2019	2018	2017
Total pension liability:				
Service cost	\$ 2,207,253	\$ 1,925,858	\$ 1,807,635	\$ 1,633,193
Interest	5,022,209	4,797,498	4,536,569	4,482,004
Differences between expected and actual experience	303,164	870,741	(349,394)	(1,445,196)
Change in benefit terms	-	-	-	-
Changes in assumptions	-	-	(1,639,615)	3,272,906
Benefit payments including refunds of employee contributions	<u>(4,312,075)</u>	<u>(3,736,730)</u>	<u>(3,512,652)</u>	<u>(3,387,906)</u>
Net change in total pension liability	3,220,551	3,857,367	842,543	4,555,001
Total pension liability - beginning	<u>70,989,938</u>	<u>67,132,571</u>	<u>66,290,028</u>	<u>61,735,027</u>
Total pension liability - ending (A)	<u><u>\$ 74,210,489</u></u>	<u><u>\$ 70,989,938</u></u>	<u><u>\$ 67,132,571</u></u>	<u><u>\$ 66,290,028</u></u>
Plan Fiduciary Net Position:				
Contributions - employer	\$ 2,480,920	\$ 2,236,524	\$ 1,869,703	\$ 1,653,431
Contributions - employee	1,006,321	869,064	751,451	659,831
Net investment income	2,944,826	3,617,231	4,363,935	5,313,477
Benefits payments including refunds of employee contributions	(4,312,075)	(3,736,730)	(3,512,652)	(3,387,906)
Plan to plan resource movement	-	-	(129)	-
Administrative expense	(82,355)	(39,585)	(81,396)	(70,968)
Other miscellaneous income/(expenses)	<u>-</u>	<u>129</u>	<u>(154,573)</u>	<u>-</u>
Net change in plan fiduciary net position	2,037,637	2,946,633	3,236,339	4,167,865
Plan fiduciary net position - beginning	<u>58,417,706</u>	<u>55,471,073</u>	<u>52,234,734</u>	<u>48,066,869</u>
Plan fiduciary net position - ending (B)	<u><u>\$ 60,455,343</u></u>	<u><u>\$ 58,417,706</u></u>	<u><u>\$ 55,471,073</u></u>	<u><u>\$ 52,234,734</u></u>
Net pension liability - ending (A)-(B)	\$ 13,755,146	\$ 12,572,232	\$ 11,661,498	\$ 14,055,294
Plan FNP as a percentage of the total pension liability	81.46 %	82.29 %	82.63 %	78.80 %
Covered payroll	\$ 12,194,768	\$ 10,607,284	\$ 9,946,268	\$ 8,244,700
Plan net pension liability as a percentage of covered payroll	112.80 %	118.52 %	117.24 %	170.48 %

See accompanying notes to required supplementary information.

SONOMA COUNTY LIBRARY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

Measurement period ended June 30,	<u>2016</u>	<u>2015</u>
Total pension liability:		
Service cost	\$ 1,423,654	\$ 1,442,797
Interest	4,453,116	4,248,946
Differences between expected and actual experience	93,423	(1,492,564)
Change in benefit terms	-	-
Changes in assumptions	-	(911,611)
Benefit payments including refunds of employee contributions	<u>(3,281,136)</u>	<u>(2,932,286)</u>
Net change in total pension liability	2,689,057	355,282
Total pension liability - beginning	<u>59,045,970</u>	<u>58,690,688</u>
Total pension liability - ending (A)	<u><u>\$ 61,735,027</u></u>	<u><u>\$ 59,045,970</u></u>
Plan Fiduciary Net Position:		
Contributions - employer	\$ 1,352,442	\$ 1,195,632
Contributions - employee	578,623	511,408
Net investment income	277,617	1,134,413
Benefits payments including refunds of employee contributions	(3,281,136)	(2,932,286)
Plan to plan resource movement	-	3,532
Administrative expense	(29,966)	(55,330)
Other miscellaneous income/(expenses)	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	(1,102,420)	(142,631)
Plan fiduciary net position - beginning	<u>49,169,289</u>	<u>49,311,920</u>
Plan fiduciary net position - ending (B)	<u><u>\$ 48,066,869</u></u>	<u><u>\$ 49,169,289</u></u>
Net pension liability - ending (A)-(B)	\$ 13,668,158	\$ 9,876,681
Plan FNP as a percentage of the total pension liability	77.86 %	83.27 %
Covered payroll	\$ 7,818,837	\$ 7,758,220
Plan net pension liability as a percentage of covered payroll	174.81 %	127.31 %

See accompanying notes to required supplementary information.

SONOMA COUNTY LIBRARY
SCHEDULE OF THE LIBRARY OPEB CONTRIBUTIONS
LAST TEN FISCAL YEARS ⁽¹⁾

Reporting date June 30,	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Actuarially determined contribution	\$ 1,356,596	\$ 1,319,598	\$ 1,314,000	\$ 1,448,121
Contributions in Relation to the actuarially determined contribution	<u>(1,618,078)</u>	<u>(1,573,896)</u>	<u>(2,241,527)</u>	<u>(1,448,121)</u>
Contribution deficiency (excess)	<u>\$ (261,482)</u>	<u>\$ (254,298)</u>	<u>\$ (927,527)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 20,166,785	\$ 18,051,833	\$ 16,658,030	\$ 14,980,604
Contributions as a percentage of covered-employee payroll	8.02 %	8.72 %	13.46 %	9.67 %

(1) The required supplementary information is intended to show information for ten years. Additional years' information will be displayed as this information becomes available.

See accompanying notes to required supplementary information.

SONOMA COUNTY LIBRARY
SCHEDULE OF THE LIBRARY OPEB CONTRIBUTIONS
LAST TEN FISCAL YEARS ⁽¹⁾

Reporting date June 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 2,898,547	\$ 2,869,291	\$ 875,288	\$ 800,044
Contributions in Relation to the actuarially determined contribution	<u>(2,898,547)</u>	<u>(2,869,291)</u>	<u>(875,288)</u>	<u>(800,044)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 13,063,998	\$ 13,781,601	\$ 13,957,566	\$10,583,000
Contributions as a percentage of covered-employee payroll	22.19 %	20.82 %	6.27 %	7.56 %

See accompanying notes to required supplementary information.

SONOMA COUNTY LIBRARY
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS ⁽¹⁾

	Measurement period ended June 30,			
	2024	2023	2022	2021
Total OPEB Liability:				
Service cost	\$ 755,994	\$ 634,457	\$ 686,501	\$ 331,018
Interest	967,689	892,993	825,666	888,507
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	-	(330,523)	-	(92,375)
Changes of assumptions	-	925,818	(1,031,232)	(1,136,674)
Benefits paid to retirees	<u>(815,728)</u>	<u>(827,281)</u>	<u>(776,626)</u>	<u>(690,678)</u>
Net change in total OPEB liability	907,955	1,295,464	(295,691)	(700,202)
Total OPEB liability - beginning	<u>18,084,034</u>	<u>16,788,570</u>	<u>17,084,261</u>	<u>17,784,463</u>
Total OPEB liability - ending (A)	<u><u>\$ 18,991,989</u></u>	<u><u>\$ 18,084,034</u></u>	<u><u>\$ 16,788,570</u></u>	<u><u>\$ 17,084,261</u></u>
Plan Fiduciary Net Position:				
Contributions - employer	\$ 1,573,896	\$ 2,241,527	\$ 1,532,779	\$ 1,448,121
Net investment income	606,911	134,103	(896,525)	907,597
Benefits paid to retirees	(815,728)	(827,281)	(776,626)	(690,678)
Administrative expense	<u>(11,278)</u>	<u>(10,443)</u>	<u>(8,269)</u>	<u>(9,803)</u>
Net change in plan fiduciary net position	1,353,801	1,537,906	(148,641)	1,655,237
Plan fiduciary net position - beginning	<u>9,725,549</u>	<u>8,187,643</u>	<u>8,336,284</u>	<u>6,681,047</u>
Plan fiduciary net position - ending (B)	<u><u>\$ 11,079,350</u></u>	<u><u>\$ 9,725,549</u></u>	<u><u>\$ 8,187,643</u></u>	<u><u>\$ 8,336,284</u></u>
Net OPEB liability - ending (A)-(B)	\$ 7,912,639	\$ 8,358,485	\$ 8,600,927	\$ 8,747,977
Plan FNP as a percentage of the total OPEB liability	58.34 %	53.78 %	48.77 %	48.80 %
Covered-employee payroll	\$ 18,051,833	\$ 16,658,030	\$ 14,980,604	\$ 13,063,998
Net OPEB liability as a percentage of covered-employee payroll	43.83 %	50.18 %	57.41 %	66.96 %

(1) The required supplementary information is intended to show information for ten years. Additional years' information will be displayed as this information becomes available.

SONOMA COUNTY LIBRARY
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS ⁽¹⁾

	Measurement period ended June 30,			
	2020	2019	2018	2017
Total OPEB Liability:				
Service cost	\$ 321,377	\$ 327,617	\$ 318,075	\$ 308,811
Interest	862,148	806,614	785,072	765,727
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	-	148,040	-	-
Changes of assumptions	-	137,300	-	-
Benefits paid to retirees	<u>(641,275)</u>	<u>(619,291)</u>	<u>(725,288)</u>	<u>(650,044)</u>
Net change in total OPEB liability	542,250	800,280	377,859	424,494
Total OPEB liability - beginning	<u>17,242,213</u>	<u>16,441,933</u>	<u>16,064,074</u>	<u>15,639,580</u>
Total OPEB liability - ending (A)	<u><u>\$ 17,784,463</u></u>	<u><u>\$ 17,242,213</u></u>	<u><u>\$ 16,441,933</u></u>	<u><u>\$ 16,064,074</u></u>
Plan Fiduciary Net Position:				
Contributions - employer	\$ 2,898,547	\$ 2,869,291	\$ 875,288	\$ 800,044
Net investment income	354,302	277,812	64,629	50,241
Benefits paid to retirees	(641,275)	(619,291)	(725,288)	(650,044)
Administrative expense	<u>(10,181)</u>	<u>(1,551)</u>	<u>(690)</u>	<u>(587)</u>
Net change in plan fiduciary net position	2,601,393	2,526,261	213,939	199,654
Plan fiduciary net position - beginning	<u>4,079,654</u>	<u>1,553,393</u>	<u>1,339,454</u>	<u>1,139,800</u>
Plan fiduciary net position - ending (B)	<u><u>\$ 6,681,047</u></u>	<u><u>\$ 4,079,654</u></u>	<u><u>\$ 1,553,393</u></u>	<u><u>\$ 1,339,454</u></u>
Net OPEB liability - ending (A)-(B)	\$ 11,103,416	\$ 13,162,559	\$ 14,888,540	\$ 14,724,620
Plan FNP as a percentage of the total OPEB liability	37.57 %	23.66 %	9.45 %	8.34 %
Covered-employee payroll	\$ 13,781,601	\$ 13,957,566	\$ 10,583,000	\$ 9,128,000
Net OPEB liability as a percentage of covered-employee payroll	80.57 %	94.30 %	140.68 %	161.31 %

See accompanying notes to required supplementary information.

SONOMA COUNTY LIBRARY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025

NOTE 1 - BUDGETARY ACCOUNTING

Budgetary revenue estimates represent original estimates modified for any authorized adjustment which was contingent upon new or additional revenue sources. Budgetary expenditure amounts represent original appropriations adjusted by budget transfers and authorized appropriation adjustments made during the year. Budgets are adopted on a basis consistent with generally accepted accounting principles.

COMPLIANCE SECTION

**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**

To the Library Commission
Sonoma County Library
Rohnert Park, 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 governmental activities, each major fund, and the aggregate remaining fund information of Sonoma County Library (the "Library"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated January 21, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library'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 Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library'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.

Harshmal & Company LLP

San Diego, California
January 21, 2026

**SONOMA COUNTY LIBRARY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2025**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
▪ Material weakness(es) identified?	No
▪ Significant deficiency(ies) identified?	None reported
▪ Noncompliance material to financial statements noted?	No

SECTION II - FINANCIAL STATEMENTS FINDINGS

There are no findings in the current year to report.

**SONOMA COUNTY LIBRARY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2025**

The Library had no findings noted in prior years that require a status update.