



**Internal Audit Committee of  
Brevard County, Florida**

**Internal Audit Review of  
Library Services: Financial Condition Review**

**Prepared By:  
Internal Auditors of Brevard County  
February 21, 2011**

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February 21, 2011

The Audit Committee of  
Brevard County, Florida  
Viera, Florida 32940-6699

Pursuant to the approved 2010/2011 internal audit plan, we hereby submit our internal audit report, representing a financial condition review of the Library Services department. We will be presenting this report to the Audit Committee at the next scheduled meeting on April 21, 2011.

Our report is organized into the following sections:

<b>Executive Summary</b>	This provides a summary of the issues related to our financial condition review of the Library Services department.
<b>Observations and Recommendations</b>	This provides a summary of observations and recommendations.
<b>Background</b>	This provides an overview of the Library Services department.
<b>Objectives, Approach and Results</b>	The objectives and focus are expanded upon in this section as well as a review of the various phases of our approach. Results of analysis are included in this section.
<b>County Management's Response</b>	This provides County management's response to our financial condition review.

We would like to thank the Library Services department and all others who were involved in assisting the Internal Auditors in connection with the financial condition review of the Library Services department.

Respectfully Submitted,

*INTERNAL AUDITORS*

# **Executive Summary**

# Executive Summary

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The objective of this financial condition review of the Library Services department is similar in nature to other financial condition reviews that we have performed, though the revenue sources, expenditure types and general budgeting process are distinctly different.

The Library Services department is primarily responsible for the operation and maintenance of the County's 17 public libraries and the County library connection in Rockledge. The funding for the Library Services department is derived from restricted revenue sources such as property taxes, State aid, and fines and fees. Accordingly, once received, these revenue sources must be spent on Library Services and cannot be diverted to meet other unrelated County needs. Chapter 72-480, Laws of Florida, prohibits the County's general revenue fund from subsidizing Library Services.

Based on our analysis and results documented throughout this report, we noted several recommendations for improvements to the budgeting process. These recommendations apply specifically to the Library Services department. However, the Board should consider whether such concepts are applicable to other County departments as well. See 'Observations and Recommendations' for a summary.

One of the critical components of this report is a general recommendation that Library Services develop a comprehensive 3-5 year schedule of planned repair and maintenance (R&M) costs for items such as roofs and air conditioning units based on the age and condition of the existing items at each library. Currently, no such schedule exists and management is left budgeting for additional unforeseen expenses in R&M each fiscal year. As a result, the budgeted amounts for R&M are misleading and historically inconsistent with actual results which have averaged 29% of the budgeted amounts over the past 5 fiscal years. Such budgeting practices do not adequately communicate to County management and the public the anticipated and actual level of R&M expense for the Library Services department on an annual basis. Once a comprehensive 3-5 year schedule of R&M costs is prepared, we recommend that management consider budgeting for a reserved fund balance to cover the estimated future R&M costs of the scheduled projects plus a reasonable amount for significant unexpected R&M costs. The reduced budget for the R&M costs should provide funding for the budget for the reserved fund balance. The reserved fund balance should be appropriately labeled to identify what the reserve is to be used for.

Other recommendations include the following:

- Accounting for receipts of Federal E-rate rebates as revenue instead of reducing communications and freight expense,
- Budgeting interest income based on a combination of projected cash balances and projected interest rates in accordance with instructions provided by the Budget Office,
- Continuing to utilize and encourage volunteers to donate their time to Library Services,
- Continuing to monitor and analyze the appropriate operating hours for each library to obtain the most efficient operations while still maintaining an appropriate level of service to the library patrons,
- Continuing to cut costs where appropriate while remembering that the millage rate is below the special act limit of 1 mill, and
- Continuing to analyze the relationship between square feet per capita and total operating expenditures in the coming years to find the most efficient balance between serving the library patrons and reducing total expenditures per capita.

In light of the above core recommendation related to budgeting, we note the timing and cost of various R&M projects are often difficult to predict with a high degree of certainty. The timing and cost of R&M projects may even be dictated by natural disasters outside the control of the department. However, we remain confident that the recommendations in this report offer actionable solutions that will improve the overall budgeting process and offer County management more reliable tools to most efficiently manage County resources.

## **Observations and Recommendations**

# Observations and Recommendations

Based on our analysis and results documented throughout this report, we have summarized below our recommendations for improvements. These recommendations are specific to the Library Services department. However, the Board should consider whether such concepts are applicable to other County departments as well. The following is a summary:

<b>Observations and Recommendations</b>	
1.	<p>The Library Services department has consistently and significantly under-spent its proposed Repair &amp; Maintenance (R&amp;M) budget. Management currently budgets R&amp;M costs, with no expectation of spending the entire amount in the current year. Instead, management consistently budgets for a “worst case scenario” to ensure that funds are available if an emergency repair is needed. As a result, the budgeted amounts are misleading and historically inconsistent with actual results.</p> <p>We recommend management begin estimating only the portion of R&amp;M costs that they expect to be expended in the current year. This estimate should be budgeted as current year R&amp;M. In addition, management should develop a comprehensive 3-5 year schedule of planned R&amp;M costs for items such as roofs and air conditioning units based on the age and condition of the existing items at each library. As the libraries continue to age, more R&amp;M costs can be expected since the County has been deferring preventative maintenance. The County is currently in the process of evaluating what these costs will be. We further recommend that management consider budgeting for a reserved fund balance to cover the estimated future R&amp;M costs of the scheduled projects plus a reasonable amount for significant unexpected R&amp;M costs not previously accounted for. The reduced budget for the R&amp;M costs should provide funding for the budget for the reserved fund balance. The reserved fund balance should be appropriately labeled to identify what the reserve is to be used for.</p> <p>Implementation of these recommendations will improve the budgeting process and allow management to ensure that funding will be available for crucial, yet costly, items as they require replacement. The recommendations will also provide more communication to County management and the general public with respect to current, recurring R&amp;M costs and future anticipated R&amp;M costs.</p>
2.	<p>Library Services has historically accounted for the receipt of Federal E-rate rebates by reducing the actual communications and freight expenses which leads to variances in the budget to actual. We recommend that management account for the receipt of Federal E-rate rebates by recording revenue. This will show the gross amount of expenses and rebates received and provide a more informative and helpful record to use in creating future budgets for communications and freight expenses.</p>
3.	<p>Library Services is not using an accurate method to forecast interest revenue which has historically resulted in significant variances between the budgeted and actual amounts. We note the methodology used by Library Services management to project interest income could be improved. Annually, County Finance provides a projected interest rate to the Budget Office, as County Finance makes all investment decisions and is responsible to manage all pooled cash accounts. We recommend that Library Services management budget interest income based on a combination of projected cash balances and projected interest rates, in accordance with instructions provided by the Budget Office.</p>

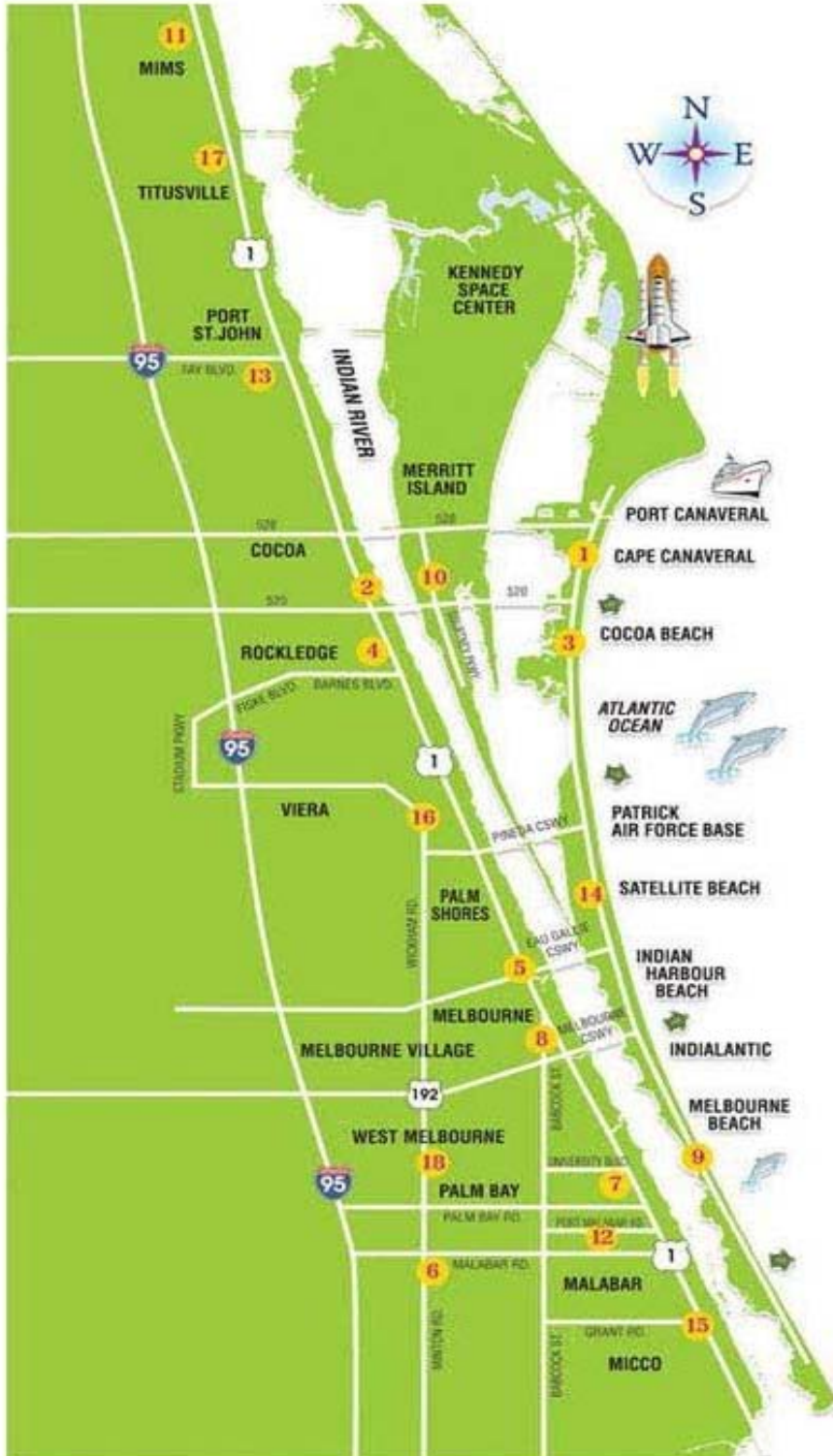
## Observations and Recommendations - continued

4.	<p>We recommend that management continue to utilize and encourage volunteers to donate their time to Library Services, where appropriate, as this directly translates to cost savings through decreased compensation and benefits. Based on our observations, it appears likely that any further significant decrease in compensation and benefits will result in a further decrease in operating hours. We recommend that management continue to monitor and analyze the appropriate operating hours for each library to obtain the most efficient operations while still maintaining an appropriate level of service to the library patrons.</p>
5.	<p>Over the past 5 fiscal years, Library Services' fund balance has been, on average, approximately 29% of annual operating expenses or enough to pay for approximately 3 to 4 months of operating expenses before running out of money. In the event that Library Services ran out of money before receiving the majority of their tax revenue, the County would temporarily loan them the money.</p> <p>The fund balance appears adequate to support Library Services operating expenses between the 3 month window beginning with the fiscal year end of September 30 and ending at the point at which Library Services receives tax revenue which is predominately during December. However, any significant and unexpected costs or emergency repairs (roof replacements, a/c units, etc.) that are required during this period may impact Library Services ability to pay normal operating expenses through the point when they receive the majority of their tax revenue. To reiterate our recommendation from Section 2 of this report, we recommend that management establish a reserved fund balance for significant expenses related to R&amp;M and other possible contingencies. Because of the possibility of unforeseen expenses, the current operating level does not appear to be sustainable in the long-term.</p>
6.	<p>The millage rate levied by Library Services was less than half the allowed amount of 1 mill for fiscal years 2008 through 2010 and just slightly above half for fiscal year 2011. The difference between the allowed rate of 1 mill and the current rate represents potential additional revenue to Library Services. We recommend that management continue to cut costs where appropriate, however, the millage rate is and has always been below the statutory limit of 1 mill.</p>
7.	<p>Based on our observations, Brevard County appears to be performing well overall in the statistics analyzed compared to the surrounding counties. However, we note that while higher square feet per capita may be more desirable and may lead to higher service satisfaction to library patrons, it may also lead to higher total expenditures per capita and, in times of declining revenues, can put undue stress on the libraries finances. We note that management has attempted to mitigate this inherent relationship by reducing the number of operating hours beginning in fiscal year 2010 for which statistical information is not yet available. We recommend that management continue to analyze the relationship between square feet per capita and total operating expenditures in the coming years to find the most efficient balance between serving the library patrons and reducing total expenditures per capita. Based on the analysis, the County may determine that it is optimal to close specific library locations.</p>

# **Background**

# Background

As can be seen in the map below the Brevard County Library Services Department consists of 17 individual libraries located throughout Brevard County and a County Library Connection located at Rockledge City Hall. In addition to the 17 libraries, the Library Services Department also operates a mobile library bus which is primarily used to reach the elderly and children.



1. Cape Canaveral Public Library
2. Central Brevard Library & Reference Center
3. Cocoa Beach Public Library
4. County Library Connection at Rockledge City Hall
5. Eau Gallie Public Library
6. Franklin T. DeGroot Public Library
7. Dr. Martin Luther King Jr. Public Library
8. Melbourne Public Library
9. Melbourne Beach Public Library
10. Merritt Island Public Library
11. Mims/ Scottsmoor Public Library
12. Palm Bay Public Library
13. Port St. John Public Library
14. Satellite Beach Public Library
15. South Mainland/ Micco Public Library
16. Suntree/Viera Public Library
17. Titusville Public Library
18. West Melbourne Public Library

## Background - continued

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The Library Services Administration Department was located at 219 Indian River Drive, Cocoa, FL 32922 (also known as the “River House”) until fiscal year 2009 when they relocated to the Central Brevard Library & Reference Center in an effort to save money and consolidate operations. Currently, they are pursuing opportunities to lease out the River House to obtain an additional source of funding.

Library Services fund balance is restricted for use by Library Services and may not be transferred to the General Fund. Additionally, Library Services can not receive any money from the General Fund. Library Services receives the majority of its revenue (excluding balance forward) from the following three sources:

1. Property taxes – Library Services is a Special Tax District and may issue up to 1.0 mills per Chapter 72-480, Laws of Florida. Although the millage may not exceed 1.0 mills, the County Manager may recommend a lower millage rate for Library Services when considering the total County millage rate charged to property owners. The final authority for adopting the millage rates, including Library Services’ millage rate, rests with the Board of County Commissioners. Library Services is also entitled to a portion of the impact fees collected by the County.

The Brevard County Tax Collector collects the tax revenues on behalf of Library Services and distributes it to them after charging them a fee for their services. Library Services must also pay a fee to the Brevard County Property Appraiser for their services. For Fiscal Year 2010, total tax revenues and impact fees collected approximated \$14.5 million or 90% of all Library Services revenues.

Of the 17 Brevard County Libraries, the Merritt Island Public Library is the only one which is also an independent tax district pursuant to Chapter 2005-321, Laws of Florida. As such, they may issue up to an additional one-half of 1 mill for their own use. Although the library is also governed by Brevard County and receives their portion of the general Library Services property tax revenue, they also have their own 15 member board which is appointed by the Governor and is responsible for their additional tax funding. The additional tax revenue and the expenditures made using the additional tax revenue is not included in the budget or actual amounts recorded by Library Services.

2. Fines & fees – Section 70-2 of the Brevard County Code, entitled Fees and Charges, authorizes the Board of County Commissioners to adopt a schedule of fees and charges for overdue, damaged, or lost library media and other library services by resolution. For Fiscal Year 2010, total fines and fees revenues approximated \$0.6 million or 4% of all Library Services revenues.
3. Grant revenue – Library Services also receives funding from the State of Florida through state aid grants which approximated \$0.5 million or 3% of all Library Services revenues for Fiscal Year 2010.

Library Services also collects various miscellaneous revenues, including money from Friends of the Library organizations and the Brevard Library Foundation, throughout the year that accounted for approximately 3% of all revenues for Fiscal Year 2010.

## Background - continued

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Library Services has the following significant expenditure categories which are further analyzed in the Budget vs. Actual section of this report:

1. Compensation and benefits – Includes all regular and executive salaries and wages, overtime, annual/sick pay, severance pay, payroll taxes, retirement, health/life insurance and workers' compensation expenses. Compensation and benefits expenses totaled approximately \$9.9 million or 59% of all Library Services expenditures for Fiscal Year 2010.
2. Other contracted services – Includes grounds maintenance, garbage, security, mail/courier, book processing, information systems charges and other contracted services. The total expense for Fiscal Year 2010 was approximately \$0.7 million or 4% of all Library Services expenditures.
3. Utility Services – Includes costs of heating fuels, electricity, stormwater assessments and water and sewage. The total expense for Fiscal Year 2010 was approximately \$0.8 million or 5% of all Library Services expenditures.
4. Insurance – Includes General Liability, Auto Liability and Buildings and Contents. The total expense for Fiscal Year 2010 was approximately \$0.4 million or 2% of all Library Services expenditures.
5. Repair and maintenance – Includes routine repairs and maintenance for all libraries as well as unexpected repair and maintenance costs. The total expense for Fiscal Year 2010 was approximately \$0.3 million or 2% of all Library Services expenditures.
6. Other current charges – Includes bank charges, licenses & permits, and indirect charges from the County for administrative functions. The total expense for Fiscal Year 2010 was approximately \$0.7 million or 4% of all Library Services expenditures.
7. Operating supplies – includes fuel/gas, janitorial supplies and other operating supplies. The total expense for Fiscal Year 2010 was approximately \$0.2 million or 1% of all Library Services expenditures.
8. Books & Publications – Includes purchases of books, CDs, DVDs, etc. The total expense for Fiscal Year 2010 was approximately \$1.1 million or 6% of all Library Services expenditures.
9. Transfers to Debt Service – For principal and interest payments on outstanding bonds. The total expense for Fiscal Year 2010 was approximately \$1.5 million or 9% of all Library Services expenditures.
10. Transfers to the Property Appraiser and Tax Collector – For services rendered as part of the property tax collection process. The total expense for Fiscal Year 2010 was approximately \$0.5 million or 3% of all Library Services expenditures.

## Background - continued

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The following table lists the required principal and interest payments for Library Services' outstanding debt over the remaining period of the bonds.

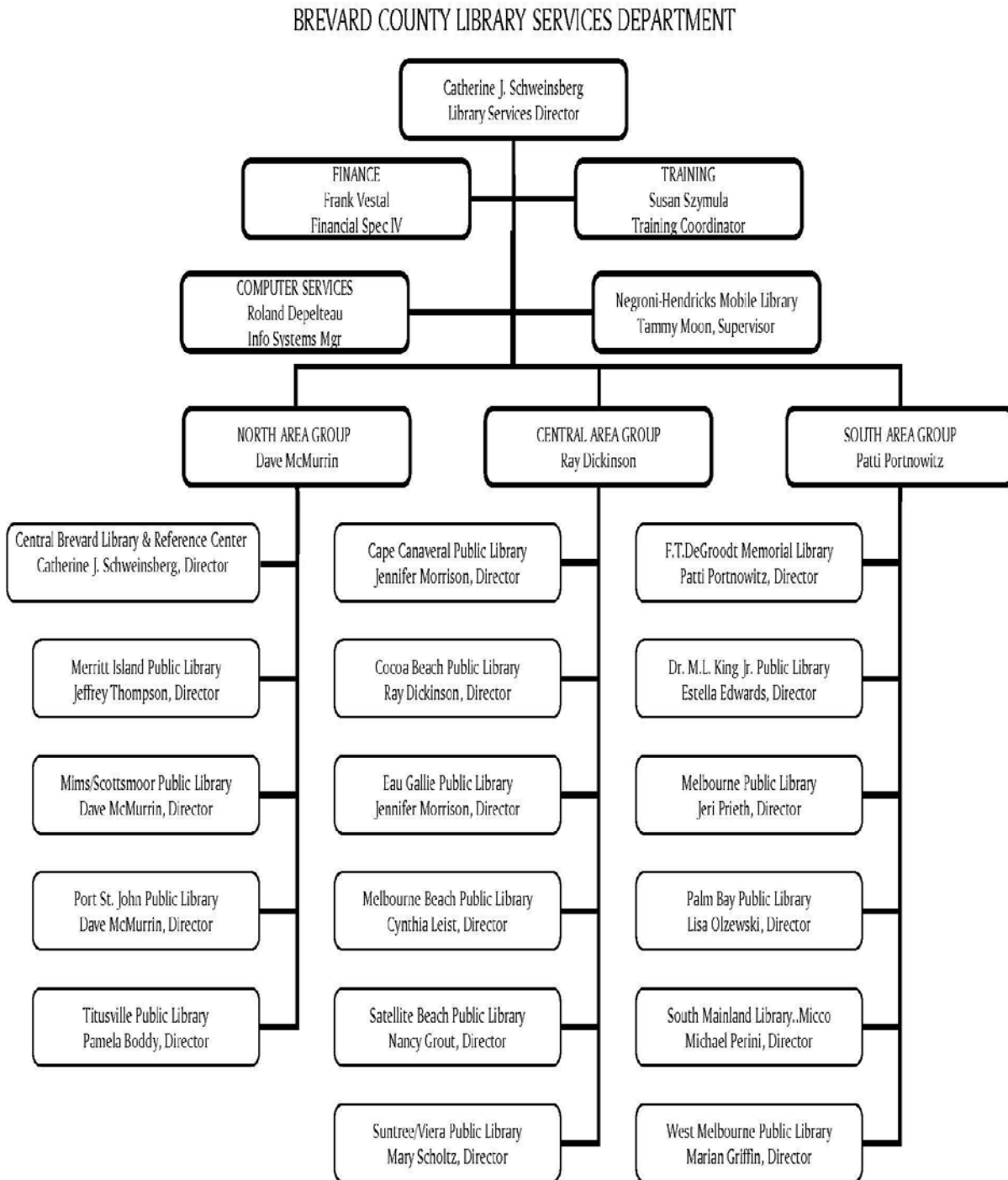
<b>Remaining Debt Service Payments</b>			
<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 870,000	\$ 257,240	\$ 1,127,240
2012	1,199,373	236,970	1,436,343
2013	1,246,422	192,523	1,438,945
2014	1,288,468	146,399	1,434,867
2015	531,058	114,585	645,643
2016	332,341	100,104	432,445
2017	345,593	87,487	433,080
2018	358,304	74,065	432,369
2019	369,930	59,962	429,892
2020	265,000	46,825	311,825
2021	280,000	34,563	314,563
2022	290,000	21,375	311,375
2023	305,000	7,244	312,244
<b>Total</b>	<b>\$ 7,681,489</b>	<b>\$ 1,379,342</b>	<b>\$ 9,060,831</b>

The schedule above includes payments for Library Services' portion of the Sales Tax Refunding Revenue Bond, Series 2010 and the Sales Tax Refunding Bond, Series 2003. Note that on October 26, 2010 (during fiscal year 2011), the Board of County Commissioners adopted Bond Resolution No. 10-230, authorizing the issuance of Subordinated Sales Tax Refunding Revenue Bond, Series 2010 to refund a portion of the County's outstanding Sales Tax Refunding and Improvement Revenue Bonds, Series 2001, in order to achieve debt service savings for the County. The refunding took place in November 2010 and no principal payments were required until fiscal year 2012 which explains the significant increase in principal payments between fiscal year 2011 and fiscal year 2012. In fiscal year 2015, total principal and interest payments drop significantly which represents an opportunity for Library Services to use the difference in payments for other areas such as repairs and maintenance.

In addition to the debt service payments and everyday expenses listed above, Library Services is responsible for expenses related to roof replacements, air conditioning units and similar items which can be very costly. These costs will continue to increase as the current buildings age. We noted that the newest library was constructed in 2003; however, the majority of libraries were constructed or renovated during the '90s.

# Background - continued

The following is an organizational chart for the Brevard County Library Services Department.



## **Objectives, Approach and Results**

# Section 1 - Overview

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## **Objective**

The objective of this section is as follows:

- Hold meetings with Library Services management to obtain an understanding of processes and procedures related to this financial condition review.

## **Approach**

We held meetings with the Library Services management and select staff to meet the stated objective.

## **Results**

We utilized the understanding obtained above in performing all remaining procedures.

## **Section 2 - Budget vs. Actual**

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### **Objective**

The objective of this section is to compare budget to actual revenues and expenditures.

### **Approach**

To achieve the above objective, our procedures included the following:

- Perform a detailed budget vs. actual analysis for fiscal year 2010
- Investigate significant variances, including assumptions made to create budgeted figures, as well as the impact of such variances on year end cash balances, balance forward and fund balance

### **Results**

The following pages include a summary of our detailed fiscal year 2010 budget vs. actual analysis by individual library, including an analysis for the library system as a whole. Budgeted figures represent the final budget, which includes Board-approved amendments to the original budget for various changes to revenues and expenditures, including balance forward. Revenue and expenditure categories are grouped with the intent of highlighting noteworthy budget-to-actual relationships. All balances were obtained from SAP, and are consistent with all known documents provided to and approved by the Board.

## Section 2 - Budget vs. Actual - continued

### Library Services Department (in thousands)

	<b>FY 2010</b>	<b>FY 2010</b>	<b>\$</b>	<b>%</b>
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Variance</b>
<b>Revenues</b>				
Balance Forward	\$ 3,562	\$ 3,560	\$ (2)	0%
Taxes, including 5% reduction	14,373	14,403	30	0%
Intergovernmental	481	457	(24)	-5%
Fines and forfeitures	535	636	101 <b>A</b>	19%
Miscellaneous	347	206	(141) <b>B</b>	-41%
Transfers in	259	335	76	29%
<b>Total Revenues</b>	<b>19,557</b>	<b>19,597</b>	<b>40</b>	<b>0%</b>
<b>Expenditures</b>				
Compensation and Benefits	10,343	9,904	(439) <b>C</b>	-4%
Other Contracted Services	741	665	(76)	-10%
Travel and Per Diem	32	17	(15)	-47%
Communications and Freight	250	147	(103) <b>D</b>	-41%
Utility Services	1,026	772	(254) <b>E</b>	-25%
Rentals and Leases	90	73	(17)	-19%
Insurance	374	369	(5)	-1%
Repair and Maintenance	739	279	(460) <b>F</b>	-62%
Printing and Binding	6	6	0	0%
Promotional Activities	3	0	(3)	-100%
Other Current Charges	647	703	56	9%
Office Supplies	140	79	(61)	-44%
Operating Supplies	319	241	(78)	-24%
Books, Publications and Memberships	17	5	(12)	-71%
Machinery and Equipment	20	16	(4)	-20%
Books, Publications, Library Media	1,454	1,056	(398) <b>G</b>	-27%
Total operating expenses	16,201	14,332	(1,869)	-12%
Debt Service	1,488	1,488	0	0%
Transfers to Property Appraiser	259	257	(2)	-1%
Transfers to Tax Collector	307	271	(36)	-12%
Transfers Out for IT Services	359	360	1	0%
Total expenditures, before reserves	18,614	16,708	(1,906)	-10%
Budgeted Reserves	943	0	(943)	-100%
<b>Total expenditures, after reserves</b>	<b>19,557</b>	<b>16,708</b>	<b>(2,849)</b>	<b>-15%</b>
<b>Excess</b>	<b>\$ -</b>	<b>\$ 2,889</b>	<b>\$ 2,889</b>	

## Section 2 - Budget vs. Actual - continued

### Cape Canaveral (in thousands)

	<u>FY 2010 Budget</u>	<u>FY 2010 Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Expenditures</b>				
Compensation and Benefits	\$ 335	\$ 323	\$ (12)	-4%
Operating Expenses	76	70	(6)	-8%
<b>Total Expenditures</b>	<u>\$ 411</u>	<u>\$ 393</u>	<u>\$ (18)</u>	<u>-4%</u>

### Central (in thousands)

	<u>FY 2010 Budget</u>	<u>FY 2010 Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Expenditures</b>				
Compensation and Benefits	\$ 1,180	\$ 1,112	\$ (68) C	-6%
Operating Expenses	525	430	(95) E	-18%
<b>Total Expenditures</b>	<u>\$ 1,705</u>	<u>\$ 1,542</u>	<u>\$ (163)</u>	<u>-10%</u>

### Cocoa Beach (in thousands)

	<u>FY 2010 Budget</u>	<u>FY 2010 Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Expenditures</b>				
Compensation and Benefits	\$ 789	\$ 810	\$ 21	3%
Operating Expenses	169	129	(40) E	-24%
<b>Total Expenditures</b>	<u>\$ 958</u>	<u>\$ 939</u>	<u>\$ (19)</u>	<u>-2%</u>

### DeGroodt (in thousands)

	<u>FY 2010 Budget</u>	<u>FY 2010 Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Expenditures</b>				
Compensation and Benefits	\$ 740	\$ 743	\$ 3	0%
Operating Expenses	162	148	(14)	-9%
<b>Total Expenditures</b>	<u>\$ 902</u>	<u>\$ 891</u>	<u>\$ (11)</u>	<u>-1%</u>

## Section 2 - Budget vs. Actual - continued

### Eau Gallie (in thousands)

	<u>FY 2010 Budget</u>	<u>FY 2010 Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Expenditures</b>				
Compensation and Benefits	\$ 646	\$ 621	\$ (25) C	-4%
Operating Expenses	128	127	(1)	-1%
<b>Total Expenditures</b>	<u>\$ 774</u>	<u>\$ 748</u>	<u>\$ (26)</u>	<u>-3%</u>

### Melbourne (in thousands)

	<u>FY 2010 Budget</u>	<u>FY 2010 Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Expenditures</b>				
Compensation and Benefits	\$ 764	\$ 716	\$ (48) C	-6%
Operating Expenses	228	190	(38) E	-17%
<b>Total Expenditures</b>	<u>\$ 992</u>	<u>\$ 906</u>	<u>\$ (86)</u>	<u>-9%</u>

### Melbourne Beach (in thousands)

	<u>FY 2010 Budget</u>	<u>FY 2010 Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Expenditures</b>				
Compensation and Benefits	\$ 442	\$ 425	\$ (17)	-4%
Operating Expenses	136	97	(39) E	-29%
<b>Total Expenditures</b>	<u>\$ 578</u>	<u>\$ 522</u>	<u>\$ (56)</u>	<u>-10%</u>

### West Melbourne (in thousands)

	<u>FY 2010 Budget</u>	<u>FY 2010 Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Expenditures</b>				
Compensation and Benefits	\$ 455	\$ 458	\$ 3	1%
Operating Expenses	96	92	(4)	-4%
<b>Total Expenditures</b>	<u>\$ 551</u>	<u>\$ 550</u>	<u>\$ (1)</u>	<u>0%</u>

## Section 2 - Budget vs. Actual - continued

### Dr. MLK Jr. (in thousands)

	<u>FY 2010 Budget</u>	<u>FY 2010 Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Expenditures</b>				
Compensation and Benefits	\$ 227	\$ 223	\$ (4)	-2%
Operating Expenses	67	59	(8)	-12%
<b>Total Expenditures</b>	<u>\$ 294</u>	<u>\$ 282</u>	<u>\$ (12)</u>	<u>-4%</u>

### Merritt Island (in thousands)

	<u>FY 2010 Budget</u>	<u>FY 2010 Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Expenditures</b>				
Compensation and Benefits	\$ 650	\$ 604	\$ (46) C	-7%
Operating Expenses	136	114	(22)	-16%
<b>Total Expenditures</b>	<u>\$ 786</u>	<u>\$ 718</u>	<u>\$ (68)</u>	<u>-9%</u>

### Mims/Scottsmoor (in thousands)

	<u>FY 2010 Budget</u>	<u>FY 2010 Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Expenditures</b>				
Compensation and Benefits	\$ 126	\$ 154	\$ 28 H	22%
Operating Expenses	66	60	(6)	-9%
<b>Total Expenditures</b>	<u>\$ 192</u>	<u>\$ 214</u>	<u>\$ 22</u>	<u>11%</u>

### Palm Bay (in thousands)

	<u>FY 2010 Budget</u>	<u>FY 2010 Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Expenditures</b>				
Compensation and Benefits	\$ 508	\$ 442	\$ (66) C	-13%
Operating Expenses	73	59	(14)	-19%
<b>Total Expenditures</b>	<u>\$ 581</u>	<u>\$ 501</u>	<u>\$ (80)</u>	<u>-14%</u>

## Section 2 - Budget vs. Actual - continued

### Port St. John (in thousands)

	<u>FY 2010 Budget</u>	<u>FY 2010 Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Expenditures</b>				
Compensation and Benefits	\$ 412	\$ 307	\$ (105) C	-25%
Operating Expenses	108	107	(1)	-1%
<b>Total Expenditures</b>	<u>\$ 520</u>	<u>\$ 414</u>	<u>\$ (106)</u>	<u>-20%</u>

### Satellite Beach (in thousands)

	<u>FY 2010 Budget</u>	<u>FY 2010 Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Expenditures</b>				
Compensation and Benefits	\$ 625	\$ 644	\$ 19	3%
Operating Expenses	139	131	(8)	-6%
<b>Total Expenditures</b>	<u>\$ 764</u>	<u>\$ 775</u>	<u>\$ 11</u>	<u>1%</u>

### S. Mainland (in thousands)

	<u>FY 2010 Budget</u>	<u>FY 2010 Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Expenditures</b>				
Compensation and Benefits	\$ 352	\$ 325	\$ (27) C	-8%
Operating Expenses	73	68	(5)	-7%
<b>Total Expenditures</b>	<u>\$ 425</u>	<u>\$ 393</u>	<u>\$ (32)</u>	<u>-8%</u>

### Suntree-Viera (in thousands)

	<u>FY 2010 Budget</u>	<u>FY 2010 Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
<b>Expenditures</b>				
Compensation and Benefits	\$ 692	\$ 654	\$ (38) C	-5%
Operating Expenses	122	110	(12)	-10%
<b>Total Expenditures</b>	<u>\$ 814</u>	<u>\$ 764</u>	<u>\$ (50)</u>	<u>-6%</u>

## Section 2 - Budget vs. Actual - continued

<u>Titusville (in thousands)</u>				
	<u>FY 2010</u>	<u>FY 2010</u>	<u>\$</u>	<u>%</u>
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Variance</u>
<b>Expenditures</b>				
Compensation and Benefits	\$ 764	\$ 709	\$ (55) <b>C</b>	-7%
Operating Expenses	260	210	(50) <b>E</b>	-19%
<b>Total Expenditures</b>	<u>\$ 1,024</u>	<u>\$ 919</u>	<u>\$ (105)</u>	<u>-10%</u>

The following are explanations regarding fiscal year 2010 budget vs. actual variances noted above.

<b>A</b>	When operating hours were reduced, management expected the revenues from fines and fees to decrease by an equal percentage and reduced the budgeted revenues as a result. However, the fines and fees revenue did not decrease as much as anticipated. Management also added some additional fees during fiscal year 2010 (i.e. class instructor fees, fax charges, proctoring exams, replacement of library cards fee, library meeting room charge for hours when library is closed, etc.).
<b>B</b>	Variance is due primarily to lower interest rates and average cash balances than anticipated during the budgeting process.
<b>C</b>	Variance generally due to vacant positions throughout the year (budgeted but unfilled).
<b>D</b>	Line item includes charges for telephone service from the IT Dept. which is an Internal Service Fund. Library Services receives Federal E-rate rebate grants which are accounted for by reducing telephone expense. However, the E-rate program requires that the Library budget the full amount of expenses every year. For fiscal year 2010, the Library received ~\$70k of E-rate grant funding. The remaining difference of ~\$33k is the result of many insignificant differences among the 17 individual libraries where the actual costs were less than budgeted.
<b>E</b>	Reduction in overall operating hours for all libraries (from ~1,069 total hours/week in fiscal year 2009 to ~858 total hours/week in fiscal year 2010) had a significant impact on electricity costs which was not taken into consideration during the budgeting process.
<b>F</b>	Line item is used to budget for everyday repairs and maintenance as well as known and unknown large projects (i.e. new roofs and A/C units) that may be required during the year. If budget is not used then it is carried forward to the following year. Large variance is a result of no significant unforeseen expenses occurring during the year. This line item is currently used to budget for significant repair and maintenance costs and contingencies instead of a reserved fund balance.
<b>G</b>	In an effort to conserve fund balance, the budget was reduced by ~\$1.3 million from fiscal year 2009 and actual expenditures decreased by ~\$1.0 million. This line item is used to account for the purchase of library material (i.e. books, CDs, DVDs, etc.) and is fairly discretionary. In general, the individual libraries purchased fewer library materials.
<b>H</b>	Between fiscal year 2009 and fiscal year 2010, the Mims/Scottsmeer Library Director retired and was not replaced. Additionally, three staff positions were eliminated for fiscal year 2010. All of the changes were recorded in SAP, which drives the creation of the compensation and benefits budget, before the positions were actually vacated. As a result, the actual numbers were higher than the budgeted amounts.

## Section 2 - Budget vs. Actual - continued

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### Observations

- ❑ When creating the budget for most operating expenses, we noted that management appropriately generates such estimates based on the prior year actual and on anticipated costs of the current year.
- ❑ When creating the budget for repair and maintenance (R&M) costs we noted management typically budgets for normal recurring R&M costs as well as for large unexpected costs or contingencies every year.
- ❑ When Federal E-rate rebates are received, they are accounted for by reducing communications and freight expense which nets the rebate revenue with the expense and creates variances between the budget and actual amounts.
- ❑ Library Services is not using an accurate method to forecast interest revenue which has historically resulted in significant variances between the budgeted and actual amounts.
- ❑ Based on the above summaries, we noted the following related to fiscal year 2010:
  - Budgeted operating expenditures exceeded actual expenditures by approximately \$1.9 million. Approximately \$0.5 million of this variance relates to R&M expenditures.
  - Budgeted revenues, excluding balance forward, and net transfers in, were materially consistent with actual revenues over the same period. This variance includes adjustments for the 5% statutory reduction.
- ❑ See 'Observations and Recommendations' (page 3) for recommendations for improvement to the budgeting process.

The following page includes results of our analysis of trends noted in Library Services' budgeting for R&M. As part of that analysis, we considered management's estimates included in the fiscal year 2011 budget, where appropriate. We plan to review fiscal year 2012 budget vs. actual results as part of the follow up procedures once the actual results are recorded for that period.

## Section 2 - Budget vs. Actual - continued

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### Trends in Repairs & Maintenance

Repair and maintenance (R&M) costs within the Library Services department represent all R&M costs that do not constitute capital outlay under County policy or generally accepted accounting principles. Most often, these include routine R&M costs but may occasionally include roof replacements or new air conditioning units. R&M costs represent a significant portion of the annual Library Services department operating expense budget (~18% in fiscal year 2010 and ~22% in fiscal year 2009). During the budget vs. actual comparison, we noted actual R&M expenditures incurred are significantly less than budgeted R&M expenditures. The following is a summary of budget to actual R&M expenditures (in thousands) for the past five fiscal years:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Final budget	\$ 1,643,896	\$ 1,821,114	\$ 2,111,488	\$ 2,039,524	\$ 739,083
Actual	<u>511,156</u>	<u>710,937</u>	<u>884,420</u>	<u>1,130,490</u>	<u>279,232</u>
Difference	<u>\$ (1,132,740)</u>	<u>\$ (1,110,177)</u>	<u>\$ (1,227,068)</u>	<u>\$ (909,034)</u>	<u>\$ (459,851)</u>
% of budget spent	<u>31%</u>	<u>39%</u>	<u>42%</u>	<u>55%</u>	<u>38%</u>

### **Observations**

- ❑ Library Services has spent an average of approximately 42% of its R&M budget over the previous 5 fiscal years.
- ❑ For fiscal year 2011, management has budgeted \$748,895 for repairs and maintenance which is consistent with the budgeted amount for fiscal year 2010 of which only 38% was spent.
- ❑ Management does not maintain a detailed list of capital intensive R&M projects which they expect to perform over the coming years (i.e. roof replacements, new air conditioning systems, and similarly expensive, yet vital, components of the individual libraries.) Instead, management consistently budgets more than expected to account for any possible contingencies.

## **Section 2 - Budget vs. Actual - continued**

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### **Conclusion**

Library Services has historically accounted for the receipt of Federal E-rate rebates by reducing the actual communications and freight expenses which leads to variances in the budget to actual. We recommend that management account for the receipt of Federal E-rate rebates by recording revenue. This will show the gross amount of expenses and rebates received and provide a more informative and helpful record to use in creating future budgets for communications and freight expenses.

Library Services is not using an accurate method to forecast interest revenue which has historically resulted in significant variances between the budgeted and actual amounts. We note the methodology used by Library Services management to project interest income could be improved. Annually, County Finance provides a projected interest rate to the Budget Office, as County Finance makes all investment decisions and is responsible to manage all pooled cash accounts. We recommend that Library Services management budget interest income based on a combination of projected cash balances and projected interest rates, in accordance with instructions provided by the Budget Office.

The Library Services department has consistently and significantly under-spent its proposed R&M budget. We note this is due to the fact that management budgets in excess of current year costs, with no expectation of spending the entire amount in the current year. Instead, management consistently budgets for a “worst case scenario” to ensure that funds are available if an emergency repair is needed. As a result, the budgeted amounts are misleading and historically inconsistent with actual results.

We recommend management begin estimating only the portion of R&M costs that they expect to be expended in the current year. This estimate should be budgeted as current year R&M. In addition, management should develop a comprehensive 3-5 year schedule of planned R&M costs for items such as roofs and a/c units based on the age and condition of the existing items at each library. As the libraries continue to age, more R&M costs can be expected since the County has been deferring preventative maintenance. The County is currently in the process of evaluating what these costs will be. We further recommend that management establish a reserved fund balance to cover the estimated future R&M costs of the scheduled projects plus a reasonable amount for significant unexpected R&M costs not previously accounted for. The reserved fund balance should be appropriately labeled to identify what the reserve is to be used for.

Implementation of these recommendations will improve the budgeting process and allow management to ensure that funding will be available for crucial, yet costly, items as they require replacement. The recommendations will also provide more adequate communication to County management and the general public with respect to actual communications and freight expenses, Federal E-rate rebates received during the year, current and recurring R&M costs and future anticipated R&M costs.

## **Section 3 – Trends in Operating Expenses**

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### **Objective**

The objective of this section is to identify significant trends in operating expenses.

### **Approach**

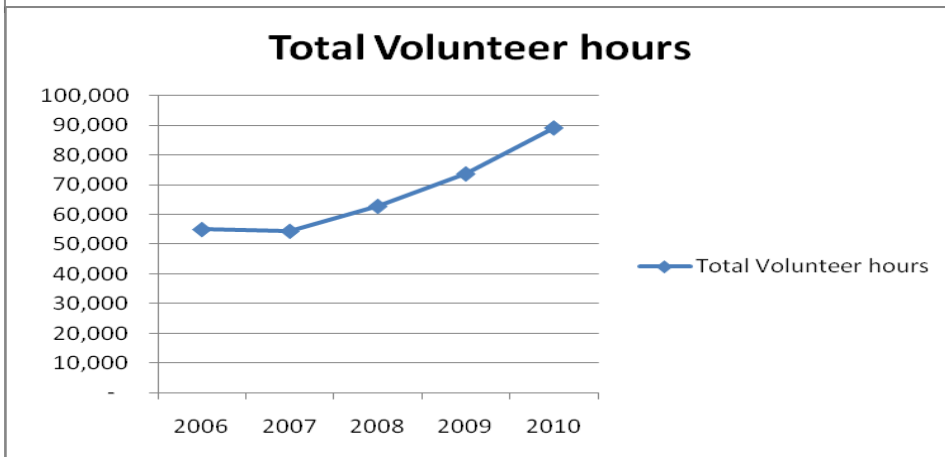
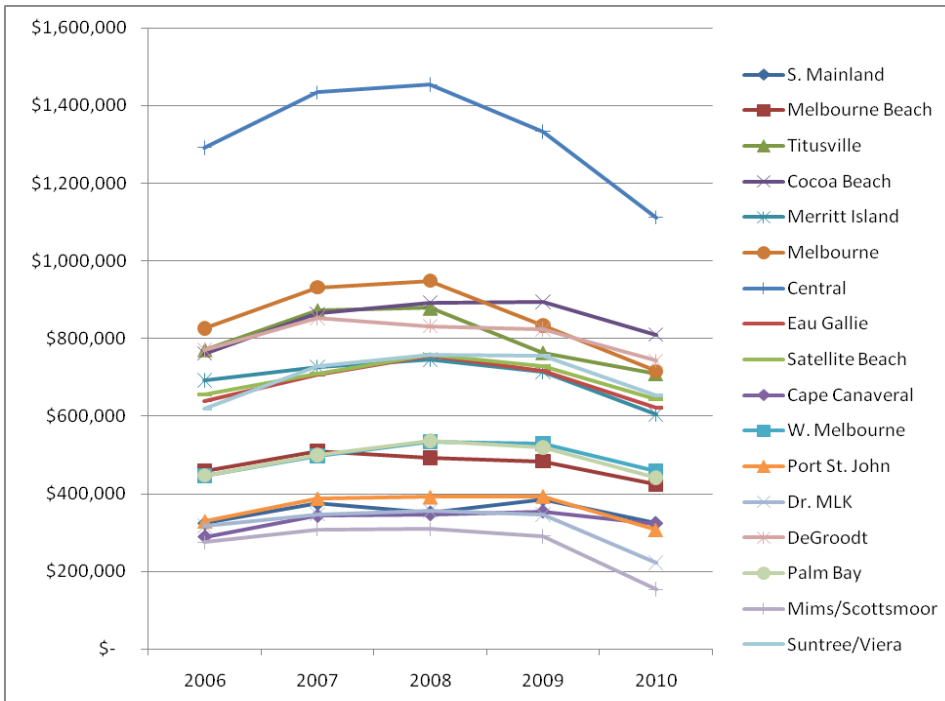
To achieve the above objective, our procedures included the following:

- Perform an analysis of operating expenses for the past five fiscal years
- Identify the reasons for any significant trends noted.

### **Results**

The following pages include a summary of our overall analysis of compensation & benefits and other operating expenses based on a review of the trends of individual libraries. As part of our analysis on compensation & benefits, we also included trend information on total volunteer hours. All dollar amounts were obtained from SAP.

# Trends in Compensation and Benefits



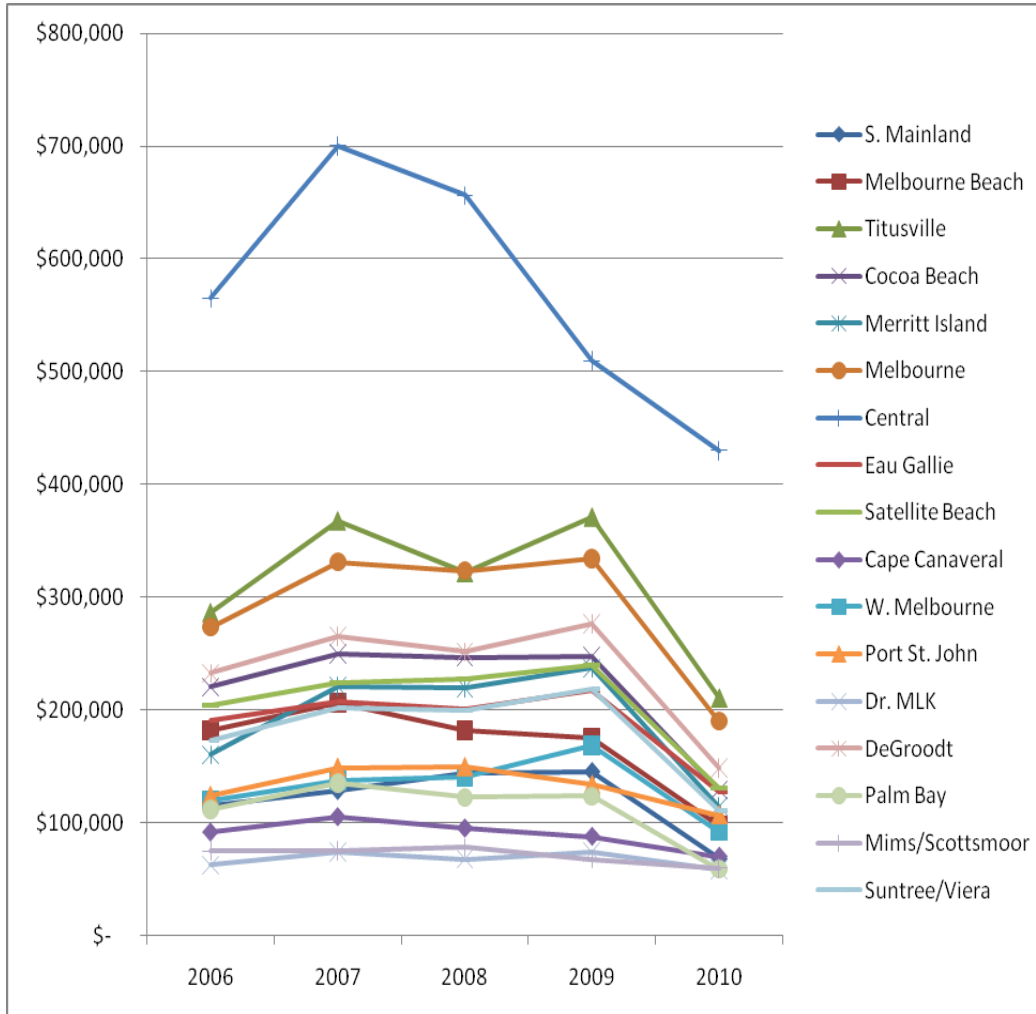
## Observations

- ❑ Compensation & benefits generally increased from FY06 – FY07, leveled off between FY07 and FY09, and decreased fairly significantly between FY09 and FY10.
- ❑ Hiring freezes were implemented during FY08 and remain in effect through the date of this report which explains the halt in increasing expenses since FY07.
- ❑ Beginning with FY10, the hours of operation of all the libraries were significantly reduced as a result of budget cuts (from ~1,069 total hours/week to ~858 total hours/week). The reduction in operating hours was required to reduce the cost of compensation and benefits expenses significantly. Any further significant decrease in compensation and benefits can be expected to result in a further reduction in operating hours of the libraries.
- ❑ The budgeted compensation and benefits amount for FY11 which includes all libraries is approximately \$700,000 lower than the FY10 final budget and approximately \$200,000 lower than the FY10 actual. Management plans to achieve this reduction through the use of furlough days, no COLA or merit increases and increasing the percentage of health insurance costs that employees and retirees pay.
- ❑ Over the past 5 years, total volunteer hours have been steadily increasing as a result of the hiring freeze and the reduction in staff.

## Conclusion

We recommend that management continue to utilize and encourage volunteers to donate their time to Library Services as this directly translates to cost savings through decreased compensation and benefits. Based on our observations, it appears that any further significant decrease in compensation and benefits will result in a further decrease in operating hours. We recommend that management continue to monitor and analyze the appropriate operating hours for each library to obtain the most efficient operations while still maintaining an appropriate level of service to the library patrons.

# Trends in Other Operating Expenses (excluding compensation and benefits)



## Observations

- ❑ Other operating expenses have followed a pattern consistent with compensation and benefits, generally increasing from FY06 – FY07, leveling off between FY07 and FY09, and decreasing fairly significantly between FY09 and FY10.
- ❑ A significant factor in the leveling off of operating expenses between FY07 and FY09 is due to the decrease in property values and related property tax revenues as a result of the crash in the housing market.
- ❑ The significant decrease in operating expenses between FY09 and FY10 is primarily due to the decrease in combined operating hours for all libraries, from ~1,069 hours per week during FY09 to ~858 hours per week during FY10. The most significant portion of the decrease is attributable to decreased electricity costs of approximately \$200,000 from the prior year.
- ❑ The budgeted other operating expenses amount for FY11 which includes all libraries is approximately \$200,000 lower than the FY10 final budget but approximately \$1.3 million higher than the FY10 actual. More specifically, the FY11 budgeted line items for R&M costs; Books, Publications & Library Media; Utility Services; and Other Contracted Services are approximately \$470,000, \$370,000, \$260,000, and \$233,000 higher than the FY10 actuals, respectively.

## Conclusion

Management was able to realize cost savings by reducing operating hours while still keeping all libraries open. We recommend that management continue to monitor and analyze the appropriate operating hours for each library to obtain the most efficient operations while still maintaining an appropriate level of service for the library patrons.

# Section 4 - Fund Balance

## Objective

The objective of this section is to perform a detailed analysis of Library Services fund balance as of September 30, 2010 and for the period from September 30, 2006 to September 30, 2010.

## Approach

To achieve the above objective, our procedures included the following:

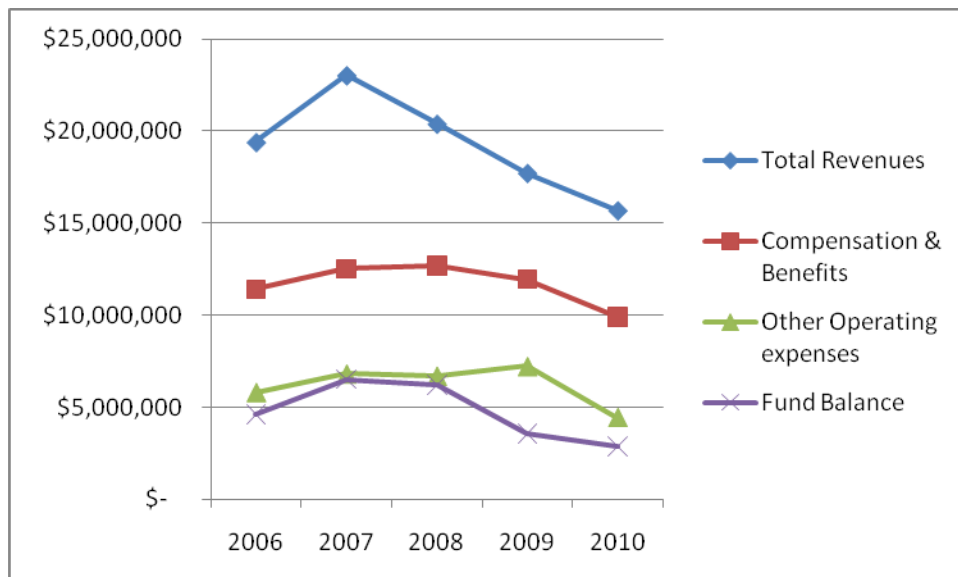
- Consider whether fund balance amounts are either:
  - Legally restricted,
  - Board designated for capital, etc.
  - Department designated as excess funds in the event of an emergency or other unexpected need of the department, or
  - Unrestricted
- Document historic fund balance compared to historic Library Services operating costs

Consider the following when analyzing fund balance and balance forward:

- Fund balance = assets in excess of liabilities as of the end of each fiscal year
- Balance forward* is a budgeting term used to represent the "excess funds" carried forward as revenue to the next year's budget
- Balance forward = prior year's ending fund balance

## Observations

Library Services' fund balance is composed of restricted and unrestricted balances. The restricted fund balance is primarily used to account for Fine and Fee revenue collected by the individual libraries but also consists of any endowments collected for specific libraries as well. Management separately tracks the portion of the restricted fund balance that is applicable to each library and restricts its use to the related library. The remaining fund balance is considered unrestricted. However, all Library Services activity is recorded in a special revenue fund, as reported in the Comprehensive Annual Financial Report (CAFR). Since the fund balance is in a special revenue fund, the unrestricted fund balance is considered 'designated' by the Board. As such, the fund balance may only be used by the Library Services department. The following graph depicts Library Services total fund balance over the past 5 fiscal years in relation to total revenues (excluding transfers in and balance forward), compensation and benefits expenses, and other operating expenses (excluding transfers out):



## Section 4 - Fund Balance - continued

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### Observations - continued

The following table is a summary of Library Services' fund balance (restricted & unrestricted) as a percentage of operating expenses over a five year period, (in thousands):

	<u>9/30/06</u>	<u>9/30/07</u>	<u>9/30/08</u>	<u>9/30/09</u>	<u>9/30/10</u>
Total fund balance	<u>\$ 4,612</u>	<u>\$ 6,523</u>	<u>\$ 6,229</u>	<u>\$ 3,560</u>	<u>\$ 2,889</u>
Annual total operating expenses (*)	<u>\$ 19,341</u>	<u>\$ 19,394</u>	<u>\$ 19,186</u>	<u>\$ 14,332</u>	<u>n/a</u>
Fund balance as a % of operating expenses	<u>24%</u>	<u>34%</u>	<u>32%</u>	<u>25%</u>	<u>n/a</u>

(\*) Operating expenditures are listed for the subsequent year, as that is when fund balance is presumed to be utilized. Operating expenses exclude capital outlay, debt service, transfers out and budgeted reserves.

Restricted fund balance has been included in the above analysis as it is merely restricted to the individual libraries that may spend their portion of the fund balance. It is not restricted to the types of expenses for which the fund balance may be used.

### Conclusions

Based on the data provided above, fund balance has been, on average, approximately 29% of annual operating expenses. Another way to interpret the data is to look at the number of months of operating expenditures that could be funded out of fund balance before the fund balance reaches zero. Historically, fund balance has been able to pay for approximately 3 to 4 months of operating expenses before running out of money.

The fund balance appears adequate to support Library Services operating expenses between the 3 month window beginning with the fiscal year end of September 30 and ending at the point at which Library Services receives their tax revenue which is predominately during December. However, any significant and unexpected costs or emergency repairs (roof replacements, a/c units, etc.) that are required during this period may impact Library Services ability to pay normal operating expenses through the point when they receive the majority of their tax revenue. To reiterate our recommendation from Section 2 of this report, we recommend that management consider budgeting for a reserved fund balance for significant expenses related to repairs & maintenance and other possible contingencies.

# Section 5 – Millage Rate

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## Objective

The objective of this section is to perform an analysis of Library Services adopted millage rate for fiscal year 2011 and the preceding 5 fiscal years.

## Approach

To achieve the above objective, our procedures included the following:

- Obtain current and past information on Library Services adopted millage rate.
- Obtain current and past information on the General Fund adopted millage rate.
- Compare trends in Library Services adopted millage rates to those of the General Fund.
- Compare Library Services adopted millage rate to allowable millage rate.

Consider the following when analyzing millage rates:

- Listed millage rates for a particular fiscal year relate to the previous tax year. For example, the fiscal year 2010 millage rate would be the tax rate levied at the end of 2009.
- Library Services millage rate, as with all of the County’s millage rates, must be approved by the Board of County Commissioners.

## Observations

As can be seen in the table below, the trend in millage rates for Library Services followed that of the General Fund. We noted that Library Services millage rate has been less than half of the allowed amount for fiscal years 2008 through 2010, increasing to just over half for fiscal year 2011. In addition, Library Services’ millage rate in fiscal year 2011 is less than that levied in fiscal years 2006 and 2007. At the same time, we note that the General Fund’s millage rate in fiscal year 2011 exceeds that of any of the previous 5 fiscal years.

**Millage rates by Fiscal Year**

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	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>General Fund</b>	3.6249	3.8558	3.6440	3.7193	3.7161	4.2717
<b>Library Services</b>	0.5750	0.5497	0.4699	0.4421	0.4421	0.5097

## Conclusions

Based on the data provided above, the trend in the millage rates for Library Services is comparable to that of the General Fund. However, as noted above, the General Fund’s millage rate for fiscal year 2011 exceeded that of the previous 5 fiscal years while Library Services millage rate for fiscal year 2011 was less than the rate for fiscal years 2006 and 2007. In addition, the millage rate levied by Library Services was less than half the allowed amount of 1 mill for fiscal years 2008 through 2010 and just slightly above half for fiscal year 2011. The difference between the allowed rate of 1 mill and the current rate represents potential additional revenue to Library Services. We recommend that management continue to cut costs where appropriate, however, management should also be aware that the millage rate is below the statutory limit of 1 mill when developing future budgets.

## Section 6 – Statistics and Benchmarks

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### Objective

The objective of this section is to perform an analysis of statistical information and compare aspects of the Brevard County Library Services with that of surrounding counties.

### Approach

To achieve the above objective, our procedures included the following:

- Obtain relevant data from the Florida Department of State website for fiscal years 2006 through 2009.
- Analyze the data and compare to that of surrounding counties taking the “service area population” into consideration.

Consider the following when analyzing the data obtained from the Florida Department of State website:

- Data is required to be submitted by all libraries within the State by December 1<sup>st</sup> of every year. As a result, the dollar amounts reported to the State may not tie to the amounts reported in the respective annual financial statements or other data found throughout this report. However, the amounts are not expected to vary significantly with the actual amounts and all counties are subject to the same reporting deadlines.
- Fiscal year 2010 data was not available as of the report date.

The following pages include tables for both financial and service data indicators which have been used to compare Brevard County to other local counties, including Orange, Volusia, Osceola and Indian River. In addition, four years of data have been presented and were used to identify any significant trends for Brevard County.

## Section 6 – Statistics and Benchmarks - continued

<b>Financial Data</b>							
<b>County</b>	<b>Service Area Population</b>	<b>Local Operating Revenue (1)</b>	<b>Local Operating Revenue Per Capita</b>	<b>State Operating Revenue (2)</b>	<b>State Operating Revenue Per Capita</b>	<b>Total Operating Expenditures (3)</b>	<b>Total Expenditures Per Capita</b>
<b>Fiscal year 2006</b>							
Brevard	531,970	\$ 16,241,264	\$ 30.53	\$ 880,203	\$ 1.65	\$ 14,751,322	\$ 27.73
Orange	999,719	25,418,709	25.43	1,502,357	1.50	29,620,012	29.63
Volusia	494,649	14,428,840	29.17	637,832	1.29	12,649,712	25.57
Osceola	235,156	6,580,050	27.98	374,574	1.59	5,981,878	25.44
Indian River	130,043	3,875,807	29.80	222,265	1.71	4,111,051	31.61
<b>Fiscal year 2007</b>							
Brevard	543,050	\$ 17,870,027	\$ 32.91	\$ 793,116	\$ 1.46	\$ 17,204,822	\$ 31.68
Orange	1,034,849	28,428,348	27.47	1,350,422	1.30	30,202,025	29.18
Volusia	503,844	17,069,173	33.88	576,017	1.14	13,634,487	27.06
Osceola	255,903	7,826,845	30.59	324,486	1.27	6,835,541	26.71
Indian River	135,262	4,112,172	30.40	201,490	1.49	4,318,044	31.92
<b>Fiscal year 2008</b>							
Brevard	556,213	\$ 19,452,989	\$ 34.97	\$ 670,066	\$ 1.20	\$ 19,003,301	\$ 34.17
Orange	1,069,849	37,082,189	34.66	1,097,089	1.03	40,526,015	37.88
Volusia	510,750	17,182,987	33.64	528,085	1.03	15,171,221	29.70
Osceola	273,709	10,531,189	38.48	278,496	1.02	7,404,357	27.05
Indian River	141,667	4,276,578	30.19	161,242	1.14	4,442,204	31.36
<b>Fiscal year 2009</b>							
Brevard	555,657	\$ 16,405,158	\$ 29.52	\$ 536,224	\$ 0.97	\$ 18,864,585	\$ 33.95
Orange	1,064,151	36,792,598	34.57	928,282	0.87	38,875,243	36.53
Volusia	507,105	17,628,435	34.76	393,379	0.78	16,441,312	32.42
Osceola	272,788	9,487,228	34.78	213,543	0.78	8,455,121	31.00
Indian River	141,634	3,685,745	26.02	121,161	0.86	3,685,745	26.02

This schedule is intended to highlight trends in key revenue sources and does not include all sources of library revenues.

## Section 6 – Statistics and Benchmarks - continued

County	Service Area Population	Square Feet (4)	Square Feet Per Capita	<u>Service Data</u>			% Population w/ Library Cards	Library Visits (7)	Library Visits per Capita	Total Public Use Internet Terminals (8)	Terminals per 1,000
				Circulation Total (5)	Circulation Per Capita	Borrowers Total (6)					
<b>Fiscal year 2006</b>											
Brevard	531,970	374,564	0.70	4,466,613	8.40	214,548	40%	2,986,861	5.61	224	0.42
Orange	999,719	449,000	0.45	7,829,054	7.83	358,334	36%	4,185,810	4.19	411	0.41
Volusia	494,649	232,316	0.47	4,487,964	9.07	276,615	56%	2,603,968	5.26	183	0.37
Osceola	235,156	87,289	0.37	789,970	3.36	78,824	34%	634,230	2.70	144	0.61
Indian River	130,043	80,237	0.62	1,105,984	8.50	72,601	56%	621,799	4.78	92	0.71
<b>Fiscal year 2007</b>											
Brevard	543,050	374,564	0.69	4,577,481	8.43	214,972	40%	3,177,094	5.85	281	0.52
Orange	1,034,849	449,000	0.43	8,360,780	8.08	443,376	43%	4,155,494	4.02	430	0.42
Volusia	503,844	232,316	0.46	3,860,571	7.66	230,609	46%	2,810,638	5.58	203	0.40
Osceola	255,903	89,414	0.35	931,373	3.64	88,107	34%	704,845	2.75	169	0.66
Indian River	135,262	80,340	0.59	1,170,561	8.65	79,878	59%	602,295	4.45	92	0.68

## Section 6 – Statistics and Benchmarks - continued

### Service Data - continued

County	Service Area Population	Square Feet (4)	Square Feet Per Capita	Circulation Total (5)	Circulation Per Capita	Borrowers Total (6)	% Population w/ Library Cards	Library Visits (7)	Library Visits per Capita	Total Public Use Internet Terminals (8)	Terminals per 1,000
<b>Fiscal year 2008</b>											
Brevard	556,213	377,614	0.68	5,048,856	9.08	221,422	40%	3,499,346	6.29	368	0.66
Orange	1,069,849	451,170	0.42	10,149,812	9.49	419,991	39%	5,296,027	4.95	538	0.50
Volusia	510,750	232,316	0.45	4,150,161	8.13	244,355	48%	3,485,306	6.82	235	0.46
Osceola	273,709	90,414	0.33	1,179,013	4.31	90,291	33%	952,611	3.48	181	0.66
Indian River	141,667	80,340	0.57	1,273,740	8.99	53,925	38%	684,505	4.83	109	0.77
<b>Fiscal year 2009</b>											
Brevard	555,657	377,614	0.68	5,187,528	9.34	237,209	43%	3,532,789	6.36	352	0.63
Orange	1,064,151	451,170	0.42	13,116,292	12.33	425,750	40%	5,722,573	5.38	588	0.55
Volusia	507,105	257,316	0.51	4,278,391	8.44	281,317	55%	3,468,352	6.84	244	0.48
Osceola	272,788	90,414	0.33	1,344,086	4.93	97,457	36%	1,320,680	4.84	142	0.52
Indian River	141,634	110,340	0.78	1,335,876	9.43	55,914	39%	689,792	4.87	163	1.15

1. The amount reported consists primarily of local tax revenues.
2. The amount reported consists primarily of state aid funding.
3. The amount reported includes all operating expenditures. Interfund transfers and capital outlay for new buildings is excluded.
4. The amount reported includes all square footage of every library building. No distinction is made for public vs. private use.
5. The amount reported includes anything that can be checked out (i.e. books, cd's, dvd's, videos, etc.)
6. The amount reported includes everyone with a library card.
7. For Brevard County, the data is tracked at the front door of each library using an electronic door counter. Staff use a separate door to avoid counting.
8. The amount reported includes only the computers used for public use. Staff computers are excluded.

## Section 6 – Statistics and Benchmarks - continued

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### Observations

We noted the following relationships regarding the financial statistics and benchmarks:

- ❑ Brevard County was among the highest in *Local Operating Revenue Per Capita* in every fiscal year analyzed with the exception of fiscal year 2009 when Brevard County was among the lowest. This observation coincides with Section 5 – Millage Rates, which, for fiscal years 2006 through 2009, shows the Library Services' millage rate at its lowest point in fiscal year 2009.
- ❑ Brevard County was among the top two counties in *State Operating Revenue Per Capita* for fiscal year 2006 and fiscal year 2007 and the top county for the remaining fiscal years analyzed.
- ❑ Brevard County was among the top three counties in *Total Expenditures Per Capita* for fiscal year 2006 and among the top two counties for the remaining fiscal years analyzed.

We noted the following relationships regarding the service statistics and benchmarks:

- ❑ Brevard County was the highest in *Square Feet Per Capita* in every fiscal year analyzed with the exception of fiscal year 2009 where Indian River took the top position.
- ❑ Brevard County was consistently among the top three counties in *Circulation Per Capita*.
- ❑ Brevard County was average in terms of the *% of Population with Library Cards* during fiscal year 2006 and fiscal year 2007 but one of the top two highest percentages during fiscal year 2008 and fiscal year 2009.
- ❑ Brevard County was consistently among the top two counties in *Library Visits per Capita*.
- ❑ Brevard County was average in terms of *Public Use Internet Terminals per 1,000*.

### Conclusions

Based on our observations, Brevard County appears to be performing well overall in the statistics analyzed compared to the surrounding counties. We note that while higher square feet per capita may be more desirable and may lead to higher service satisfaction to library patrons, it may also lead to higher total expenditures per capita and, in times of declining revenues, can put undue stress on the libraries finances. We note that management has attempted to mitigate this inherent relationship by reducing the number of operating hours beginning in fiscal year 2010 for which statistical information is not yet available. We recommend that management continue to analyze the relationship between square feet per capita and total operating expenditures in the coming years to find the most efficient balance between serving the library patrons and reducing total expenditures per capita. Based on the analysis, management may determine that it is optimal to close specific library locations or to delay the construction of any new libraries until the population of the Brevard County Service Area increases to a point where the square footage per capita warrants additional libraries.

## **Appendix A - County Management's Response**

# Appendix A

## **1) R & M**

The Library Services Department currently budgets for a worst case scenario for emergency repairs which ensures that funds are available when and if emergency repairs are necessary. As a coastal County with 17 facilities staff feels this is the appropriate budgeting approach. Under such an approach not all of the budgeted funds will be expended each year. The Library Services department currently funds Repair and Maintenance (R & M) exclusively with revenues from Fines and Fees, no tax dollars are expended.

Currently very limited preventive maintenance is being performed for any Library facility in an effort to reduce expenses. As the Auditors have pointed out this approach does not facilitate a baselining of annual expenditures. Under the direction of County Management, the Facilities Department is evaluating all County buildings and developing a comprehensive 3-5 year schedule of planned maintenance for all County facilities. Once this plan is published and Library Services is made aware of the amount that should be reserved each year for future R & M costs, a reserve account for R & M may be established. Again, as Repair and Maintenance is funded exclusively from Fines and Fees the ability of the Department to fully fund this endeavor may be dependent on the extent to which additional resources are available from property tax revenues.

Until the analysis is complete, Library Services will continue to budget R & M as a worst case scenario with the intent that the entire amount may not be spent and that the remaining balance will be carried over to the next fiscal year.

## **2) Federal E – Rebates**

Library Services will begin to deposit Federal E- rebates in a revenue account established for this purpose. Federal E rebates can be discontinued at any time and have varied in amount from year to year. Library Services Staff will evaluate if a conservative revenue estimate will be made for the FY 2012 Budget year, or if this will remain unbudgeted.

## **3) Interest revenue**

Library Services will work with County Finance and the Budget Office to project interest revenue for the FY 2012 Budget Year, and each year thereafter. Library Services will budget interest income based on a combination of projected cash balances and projected interest rates provided by County Finance.

#### **4) Volunteers**

Currently, Library Services utilizes more volunteers than any other County Department. Library Services recognizes the value of these volunteers and strives to increase the number of volunteer hours worked each year. Library Services engages in a continual process to review and analyze operating hours for each Library in an effort to obtain not only the most efficient operations, but also the appropriate level of service to our library patrons.

#### **5) Fund balance**

While in the past, the Library Services fund balance has been sufficient to fund operations for the 3 to 4 months until property tax revenues are received, it should be noted that the amount has decreased over the last several years. Also “any significant and unexpected costs of emergency repairs (roof replacements, a/c units, etc.)...” will decrease the amount carried over from year to year if it is not replenished from other recurring revenues. Therefore the recommendation that Library Services take a “temporary loan” from another County Department if this revenue ran out before tax revenue is received appears to be a non-sustainable plan.

County staff will separate routine maintenance and capital repairs into two accounts when the comprehensive maintenance and repair plan is received from the Facilities Department.

#### **6) Millage Rate**

The millage rate levied for Library Services is a policy decision made by the Board of County Commissioners. Staff is not aware that the rate has ever been set at the allowable maximum and the rate has always fluctuated from year to year based on the budget proposal and ultimately the decision of the Board of County Commissioners. It should also be noted that although the Special Act does allow for a maximum rate that is higher than the current rate there are a number of constraining factors within the County Charter and Florida Statutes with regards to how and whether or not the Board can reach that rate in any one fiscal year.

In order to assist in proposing a budget with a tax rate that meets the needs of the patrons and follows policy direction of the Board, Library Services continually strives to analyze current expenditures to assess where additional reductions can be made and additional efficiencies can be achieved.

#### **7) Statistics**

The quality of Library Services based primarily on a square footage per capita basis may not be the best method. For example if Brevard County were to provide the same amount of square footage currently provided through 17 libraries in 3 regional libraries the service delivery would be drastically altered or diminished for patrons.

Library Services will have difficulty maintaining the current level of service and service hours for each library even if the current level of funding is provided as this level of funding does not provide new funding for built-in and cost of living increases in expenses. Any decision to close a specific library will be a policy decision made by the Board of County Commissioners.