

## NLS Executive Committee Meeting

**Tuesday, May 16, 2017**

**10:30 a.m. – 11:30 a.m.**

Adobe Connect Conference Meeting

- |   |             |                      |
|---|-------------|----------------------|
| 1. Welcome and Roll Call  | Lear, Chair |                      |
| 2. Public Invited to Comment  | Lear        |                      |
| 3. Adoption of Agenda (Action Item)   | Lear        |                      |
| 4. Consent Calendar: Approve Minutes of 4/21/2017<br>(Action Item)  | Brinkley    | Attachment 1, pg. 3  |
| 5. Old Business   | Brinkley    |                      |
| A. Approve NLS FY 2017/18 Tentative Budget (Action Item)  |             | Attachment 2, pg. 8  |
| B. Approve NLS FY 2017/18 Plan of Service (Action Item)   |             | Attachment 3, pg. 11 |
| C. Approve Election of Executive Committee & Officers for FY 2017/18<br>(Action Item)   |             | Attachment 4, pg. 23 |
| 6. New Business   | Brinkley    |                      |
| A. Approve NLS Chair and PLP Fiscal Admin to sign contract for CalPERS legal representation<br>(to be distributed prior to meeting) (Action Item) |             |                      |
| B. Approve funds for contract to represent NLS &<br>Legacy Systems in CalPERS issues (Action Item)  |             |                      |
| C. Approve NLS FY 2015/16 Financial Audit (Action Item)   |             | Attachment 5, pg. 24 |
| D. Discuss FY 2017/18 Executive Committee meeting schedule  |             |                      |

## 7. Next Meeting

- A. **Annual Administrative Council Meeting: June 16, 2017** – Solano County Library,  
Fairfield Cordelia Library,  
5050 Business Center Dr., Fairfield, CA 94534

## 8. Adjournment

**Brown Act:** The legislative body of a local agency may use teleconferencing in connection with any meeting or proceeding authorized by law. Cal. Gov't Code § 54953(b)(1). A "teleconference" is "a meeting of a legislative body, the members of which are in different locations, connected by electronic means, through either audio or video, or both." Cal. Gov't Code § 54953(b)(4). A local agency may provide the public with additional teleconference locations. Cal. Gov't Code § 54953(b)(4).

The teleconferenced meeting must meet the following requirements:

- (1) it must comply with all of the Act's requirements applicable to other meetings;
- (2) all votes must be taken by roll call;
- (3) agendas must be posted at all teleconference locations and the meeting must be conducted in a manner that protects the statutory and constitutional rights of the parties or public appearing before the body;
- (4) each teleconference location must be identified in the notice and agenda and each location must be accessible to the public;
- (5) during the teleconferenced meeting, at least a quorum of the members of the legislative body must participate from locations within the boundaries of the body's jurisdiction; and
- (6) the agenda must provide the public with an opportunity to address the legislative body at each teleconference location. Cal. Gov't Code § 54953(b).

### Meeting Locations

NLS Admin office, 2471 Flores Street, San Mateo, CA 94403  
Butte County Library, 110 Oak Grove Parkway, Oroville, CA 95966  
Colusa County Library, 738 Market Street, Colusa, CA 95932  
Mono County Free Library, 400 Sierra Park Road, Mammoth Lakes, CA 93546  
Napa County Library, 580 Coombs Street, Napa, CA 94559  
Roseville Public Library, 225 Taylor Street, Roseville, CA 95678  
Shasta Public Library, 1100 Parkview Avenue, Redding, CA 96001  
Solano County Library, 1150 Kentucky Street, Fairfield, CA 94533  
Sonoma County Library, 211 E Street, Santa Rosa, CA 95404  
Sutter County Library, 750 Forbes Avenue, Yuba City, CA 95991

### Conference Call Information

US: 1-888-850-4523  
Participant Code: 337190

To join the meeting:

<http://infopeople.adobeconnect.com/r7mryp4h6ne/>

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2471 Flores Street, San Mateo, CA 94403  
650-349-5538 Fax: 650-349-5089

[www.northnetlibs.org](http://www.northnetlibs.org)

## DRAFT MINUTES

### NLS Executive Committee Meeting

**April 21, 2017**

1. **Welcome and Roll Call** – Past Chair, Mel Lightbody, Butte County, called the meeting to order at 10:00 a.m. Also present were NLS Executive Committee Members Brett Lear, Sonoma County, Ana Danielson, Mono County; Danis Kreimeier, Napa County, Suzanne Olawski, Solano County; James Ochsner, Sutter County, and Stacey Costello, Colusa County. Also attending, Todd Deck, Tehama County, Michael Perry, Siskiyou County, Carol Frost, CEO, PLP and Jacquie Brinkley, System Coordinator, NorthNet Library System.
2. **Public Invited to Comment** – Todd Deck introduced himself as the new County Librarian of Tehama County.
3. **Adoption of Agenda** – Motion to approve Agenda; Moved by Olawski. Seconded by Danielson. Approved unanimously by roll call vote.
4. **Consent Calendar** - Motion to Approve Draft Minutes of EC Meeting of 2/3/2017. Moved by Ochsner. Seconded by Olawski. Approved unanimously by roll call vote.
5. **Old Business**
  - A. Brinkley gave update on the NLS ILL & Delivery Study/RFP. Three proposals were submitted and reviewed by EC members Kreimeier, Olawski, and Lear, and PLP CEO Carol Frost and NLS System Coordinator Brinkley. Scores and comments varied widely and review team requested a conference call interview to obtain further detail on each proposal. Video/conference call interviews are scheduled for week of April 24<sup>th</sup>. Review team will make selection of consultant after interviews are completed and references checked.

Kreimeier reported that she had recently attended a Link+ meeting of library directors and the suggestion was made for NLS to talk with 49-99 System regarding their conversion to Link+. 49-99 has similar geographic and multiple site issues that NLS will be dealing with in upcoming feasibility study. This suggestion will be shared with selected Study consultant. Kreimeier also reported that members of the CSU System (California State University) are dropping out of Link+ as early as July 2017. Long Beach State will remain in Link+. Also, Link+ is now talking with CA Community

Colleges.

- B. Brinkley reported that the Nominating Committee has drafted a slate of nominees to recommend for FY 2017/18: NLS Chair, Brett Lear; Chair-Elect, Todd Deck; Executive Committee, James Ochsner, Vanessa Christman and Kathryn Hunt. EC approved of the slate and Nominating Committee will present the slate to the Administrative Council at May 19<sup>th</sup> Annual meeting for approval.
- C. Michael Perry, Siskiyou County, provided an update on CalPERS activity on behalf of the CalPERS ad hoc committee. Legal counsel has been identified and a contract has been drafted. Contract is to be approved by EC at next meeting. Isabel Safie, partner at Best, Best & Krieger, has extensive experience with CalPERS and consortia issues and has contacts in the CalPERS organization.

Kreimeier requested that the legal research include determining obligations of Legacy System members who may have dropped out, but were active “members” during time when System had employees who were covered by CalPERS. Kreimeier referred to an article recently distributed via email that indicated obligations existed of former members in JPAs. This may be a similar situation to NLS and Legacy Systems.

Perry acknowledged this issue, but stated that finding documentation may be difficult in order to validate the membership years of these organizations.

Kreimeier asked to keep to a tight timeline for the legal research and report, as System reserves to cover CalPERS costs are quickly depleting – North Bay has approximately two years of reserves remaining to cover CalPERS costs.

Perry reported that he estimates a report to be completed by late summer 2017.

Lear added that NLS will include specific timeline within the contract.

Frost reported that from reading of historical documents gathered on CalPERS, that other organizations signed on as “associate members” and were not “full” members. This status could possibly leave them out of the CalPERS obligation.

Ochsner commented that there was often no official exit documentation provided when these other organizations dropped out, so verifying years of membership would be difficult.

## **6. New Business**

- A. NLS FY 2017/18 Plan of Service – Brinkley distributed Draft Plan of Service for EC review. The Plan is due to the State Library on June 1.
  - Frost recommended that the EC wait until the ILL & Delivery Study results are finalized to determine how NLS will detail Operations expenditures. An Operations budget is

submitted with the Plan of Service on June 1, however detail of allocations is not due until September 1. The Draft Plan of Service is to be approved at the Annual Administrative Council Meeting, this year to be held on May 19, 2017. Brinkley asked EC to review the Plan and provide comment. Comments should be sent to Brett Lear, with cc to Jacquie Brinkley and Carol Frost.

- B. Frost reviewed the NLS FY 2016/17 Budget Adjustment and Administrative Contract Amendment with PLP with Executive Committee. Brinkley shared that the Broadband balance had previously been approved to be allocated among the Year 1, 2 and 3 Broadband libraries equally. The Broadband balance will be fully expended before June 30, 2017, as required.

Lightbody asked if NLS was renewing the fiscal administrative contract with PLP. Lear reported that the EC had agreed to continue another year (FY 2017/18), but agreed to look into other possible models and/or fiscal partners for future contracts. Lightbody remarked that she was satisfied with PLP's administrative oversight, but would be interested in looking into other contractors and/or fiscal administrative options.

Motion to Approve NLS FY 2016/17 Budget Adjustment and Administrative Contract Amendment. Kreimeier moved; Lightbody seconded. Approved unanimously.

- C. Frost presented the FY 2017/18 Administrative Contract with PLP for approval. Frost explained that the 17/18 contract now reflects more accurately the time PLP staff spends on NLS projects and includes time for CEO Frost (previously not included in PLP contract), and has omitted time for Strategic Advisor, Hildreth. System Coordinator time is reduced to reflect more closely actual time spent over past year while still including new projects attached to System Coordinator tasks in 17/18, i.e. Zip Books, CalPERS, and ILL & Delivery Study.

Lightbody asked if the 17/18 PLP Contract includes a budget to take advantage of unexpected opportunities or cover unanticipated expenses that may come up during the year.

Frost replied that she is confident in the level of work included in this contract and that it will cover anticipated workload, including flexibility to take advantage of opportunities and ability to adjust for unanticipated projects.

Lear remarked that he also had questions about the new PLP contract's ability to cover new projects and unanticipated work and that he was surprised at the number of hours that PLP works on NLS projects.

Kreimeier asked if PLP will continue the project tracking. Frost replied that PLP had implemented a time tracking for past 2 years to verify all project and staff costs, but were trying to move away from the tracking tasks. A consultant hired to review all contracts and costs for PLP provided models of allocating budgets appropriately across all contracts and this should eliminate the need to continue tracking function.

Lightbody shared that she often is questioned about administrative contract costs and requested documentation to support the contract costs. Frost said that she can provide that documentation and would email that information to the Chair for distribution.

Perry commented on the high level of support PLP has provided to North State throughout the CalPERS research and ongoing communications, and that he can attest to the amount of time and consultation provided by CEO and PLP and NLS staff. He suggested asking other Legacy System Chairs to provide comment.

Olawski commented that she has no issues of concern regarding the PLP contract and that she values the support and level of service from PLP. She suggested that a memo be drafted as to how the System benefits from PLP administrative and fiscal support.

Motion to Approve FY 2017/18 Administrative Contract with PLP. Kreimeier moved; Ochsner seconded. Approved unanimously.

Kreimeier suggested that an update be provided to the NLS Guidebook as an “Annual Report – Light” to detail what PLP provides to the System, including CalPERS communications, background and value of consortia to all members, etc. Brinkley will work with Frost to create an annual report “light” for EC review and approval.

- D. Frost presented for review the draft NLS FY 2017/18 Budget and reported that the State Library will issue the certified funds for all Systems on June 1. Frost suggested that in the future, the NLS Annual Meeting be held in June because of this timing.

Kreimeier suggested that the pending contract with legal counsel Best, Best & Krieger for CalPERS consultation include a “not to exceed” statement to ensure contract is written and performs within approved budget.

- E. Lear presented Califa membership pricing chart and explained that NLS member libraries had inquired about benefits of consortia membership for all NLS members. With group discount and low cost to individual libraries, all EC agreed that this was a valuable investment and could be covered by membership dues.

Motion to Approve NLS Consortia membership with Califa. Kreimeier moved; Danielson seconded. Approved unanimously.

Lear and Brinkley will work on communication of Califa membership for 17/18 to all NLS members in order to notify before payments are made for upcoming FY. Brinkley will notify Califa and request Califa bill NLS directly and not bill individual libraries.

- F. Brinkley presented Annual Administrative Council Meeting draft agenda for EC review and comment. Will note for future years to schedule this meeting for month of June.

Perry provided an update on North State and CalPERS payment progress. His County Counsel had worked closely with him to create “ghost files” from historic documentation that was available to support County membership in North State where specific documentation (i.e. signed Resolutions, etc) were not available. Perry recommends that all member libraries begin gathering all documentation as early as possible to build their consortia membership history. From Perry’s experience, not having the documentation does not absolve the library from responsibility.

Lightbody expressed public acknowledgement and thanks to Perry for his diligence and skill in working with individuals to make the progress he has made with obtaining formal agreements from libraries.

Request for CLA Legislative Committee update. Brinkley will contact Sara Jones to speak at Annual Meeting on updates from CLA Leg Committee.

Lightbody requested an update on the LSTA Student Success project that included NLS and PLP libraries. Frost will provide or coordinate this update for Annual Meeting.

Kreimeier and Lightbody volunteered to facilitate a Harwood “mini” session for NLS AC members. Brinkley will coordinate with Kreimeier to setup this mini-training session after lunch break. Two additional Harwood trained NLS directors who plan to attend the Annual Meeting will be identified to staff discussion tables (4 tables total). This session will be approximately 90 minutes on the agenda.

## **7. Other Business**

- A. Lear inquired about future EC meetings and consideration of holding them via video and conference call. Lightbody shared that in previous years, EC felt in passive role during with conference call meetings and not engaged in discussions. The decision and results of meeting as a group and face-to-face resolved that isolated feeling. Ochsner suggested that meeting at least once per year as EC might be an alternative. As a new director and EC member, it helped him to meet face-to-face. Kreimeier also commented on the value of meeting in person, particularly since the NLS merger (merging of 3 legacy systems) and that meeting face-to-face helped to solidify the new System leadership.

Lightbody recommended that the NLS Bylaws be revised to elect EC Chair and Chair-Elect to 2-year terms, versus current 1-year term.

Lear added that the Bylaws also list Peninsula Library System as the Fiscal Agent. This needs to be corrected. Lear also suggested EC and NLS Staff review the JPA agreement in the Bylaws to ensure it correctly describes the governance structure of NorthNet Library System, as opposed to the Joint Resolution governance of the legacy systems.

Next EC Meeting, May 9, 2017, 2:00 p.m. - Conference Call meeting to approve (1) FY 2015/16 NLS Audit, (2) NLS FY 2017/18 Plan of Service, and (3) Contract with Best, Best & Krieger legal counsel on CalPERS issues.

**Meeting adjourned at 11:40 a.m.**

**NorthNet Library System  
Budget FY 2017-18**

<b>LOCAL</b>		<b>FY 16/17</b>	<b>FY 17/18</b>
3674	Reimbursable Costs	160,000	175,000 Gale databases OverDrive Collection, Zinio
	<b>TOTAL REVENUES</b>	<b>160,000</b>	<b>175,000</b>
4445	Reimbursable-Library Expenses	160,000	175,000 Gale databases OverDrive Collection, Zinio
	<b>TOTAL EXPENDITURES</b>	<b>160,000</b>	<b>175,000</b>
<b>COMMUNICATION &amp; DELIVERY</b>		<b>FY 16/17</b>	<b>FY 17/18</b>
3667	CLSA State Library	339,635	655,785
3674	Reimbursable Costs	150,000	150,000 from NBCLS & MVLS members for deliveries
	<b>TOTAL REVENUES</b>	<b>489,635</b>	<b>805,785</b>
4212	Communication	900	1,500 conference calls, listserves,
4220	Contractual Services	485,735	150,000 Delivery for MVLS and NBCLS, 1,000 Website support 650,285 CLSA allocation for members & other C&D project
4230	Office Supplies	1,200	1,200
4233	Postage	1,800	1,800 postage, UPS
	<b>TOTAL EXPENDITURES</b>	<b>489,635</b>	<b>805,785</b>
<b>ADMINISTRATION</b>		<b>FY 16/17</b>	<b>FY 17/18</b>
3510	Interest Earned	1,200	3,000
3661	Membership Fees	110,270	110,270 <b>estimated only-will have actual number in June</b>
3667	CLSA-State Library	84,909	163,946 CLSA indirect 12,000 CLSA indirect for Zip Books grant
3668	LSTA-Indirect	4,297	4,368 for PLSEP grant FY 16/17 (Public Library Staff Education Program)
	<b>TOTAL REVENUES</b>	<b>200,676</b>	<b>293,584</b>
4219	Other Prof Serv	11,000	11,000 audit
4220	Contractual Service	176,126	260,974 PLP Contract: \$171,183 other \$89,791
4301	Insurance	2,500	2,500 Liability insurance
4303	Travel & Meeting	11,000	7,000 annual meeting
	Membership Fees & Dues		12,060 Califa membership for members
4373	Service Fees	50	50 bank fees
	<b>TOTAL EXPENDITURES</b>	<b>200,676</b>	<b>293,584</b>



**ZIP BOOKS Statewide Expansion Project**  
**CLSA Grant 1/1/27-6/30/19**

	REVENUES	
3667	CLSA State Library	<b>388,000</b>
	TOTAL EXPENDITURES	
4238	Library Materials	<b>388,000</b> Materials for Year 2 (7/1/17-6/30/18)

Califa membership cost for NorthNet

NorthNet Member Name	FTE Staff	Califa Membership Fee
ALPINE COUNTY LIBRARY/ARCHIVES	3	\$200
BELVEDERE-TIBURON LIBRARY	17	\$400
BENICIA PUBLIC LIBRARY	19	\$400
BUTTE COUNTY LIBRARY	23.9	\$400
COLUSA COUNTY FREE LIBRARY	8.5	\$300
DEL NORTE COUNTY LIBRARY DISTRICT	2	\$200
DIXON PUBLIC LIBRARY DISTRICT	10	\$300
EL DORADO COUNTY LIBRARY	34	\$400
FOLSOM PUBLIC LIBRARY	12	\$300
HUMBOLDT COUNTY LIBRARY	29	\$400
LAKE COUNTY LIBRARY	12	\$300
LARKSPUR PUBLIC LIBRARY	9	\$300
LASSEN LIBRARY DISTRICT	3	\$200
LINCOLN PUBLIC LIBRARY	5	\$200
MARIN COUNTY FREE LIBRARY	90.1	\$400
MENDOCINO COUNTY LIBRARY	29.05	\$400
MILL VALLEY PUBLIC LIBRARY	20	\$400
MODOC COUNTY LIBRARY	4	\$200
MONO COUNTY FREE LIBRARY	9	\$300
NAPA COUNTY LIBRARY	52.3	\$400
NEVADA COUNTY LIBRARY	22	\$400
ORLAND FREE LIBRARY	4	\$200
PLACER COUNTY LIBRARY	39.22	\$400
PLUMAS COUNTY LIBRARY	8	\$300
ROSEVILLE PUBLIC LIBRARY	42	\$400
Sacramento Public Library	279.5	\$500
SAN ANSELMO PUBLIC LIBRARY	5	\$200
SAN RAFAEL PUBLIC LIBRARY	24	\$400
SAUSALITO PUBLIC LIBRARY	9	\$300
SHASTA PUBLIC LIBRARIES	26	\$400
SISKIYOU COUNTY FREE LIBRARY	4	\$200
SOLANO COUNTY LIBRARY	109	\$500
SONOMA COUNTY LIBRARY	130.34	\$500
ST. HELENA PUBLIC LIBRARY	11	\$300
SUTTER COUNTY LIBRARY	14	\$300
TEHAMA COUNTY LIBRARY	6	\$300
TRINITY COUNTY FREE LIBRARY	3	\$200
WILLOWS PUBLIC LIBRARY	4.28	\$200
WOODLAND PUBLIC LIBRARY	14.49	\$300
YOLO COUNTY LIBRARY	37.8	\$400
YUBA COUNTY LIBRARY	9	\$300

total for all \$13,400  
**with 10% discount \$12,060**  
 (and waiver of \$150 system fee)

## System Information

### FY 2017/18

System Name: NorthNet Library System			
Director: Carol Frost		Email: frost@plpinfo.org	
Address: 2471 Flores Street	City: San Mateo	State: CA	Zip: 94403
Phone: 650-349-5538	Fax: 650-349-5089		

System Chair for FY 2017/18 (if known):	Fiscal Agent: Pacific Library Partnership
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Date approved by Administrative Council:
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x	
Signature of System Administrative Chair for FY 2016-17	Date
Print Name: Brett Lear	

## Demographics of System Service Area

### System Population Profile, FY 2017/18

**Total Population of System Service Area: 4,703,096**

<b>Underserved Population</b>	<b>Number</b>	<b>Percentage of Total Population</b>
Economically Disadvantaged (Below poverty level)	727,279	15.46%
Institutionalized	64,469	1.37%
Aged (65+)	619,609	13.17%
Children & Youth:	274,491	5.84%
• Under 5		
• 5 to 9	281,879	5.99%
• 10 to 14	287,543	6.11%
• 15 to 19	307,437	6.54%
Handicapped	593,895	12.63%
Speakers of limited English or English as a Second Language	833,836	17.73%
Non-English Speaking	452,805	9.63%
Ethnicity	254,192	5.40%
• Black		
• Hispanic	982,801	20.90%
• Asian	423,782	9.01%
• Native American	60,590	1.29%
• Other (specify)	315,540	6.71%
Geographically Isolated	694,227	14.76%
Functionally Illiterate	391,178	8.32%
Shut-In	219,339	4.66%

List source(s) of this data:

Total Population - American Fact Finder/2009-2013 American Community Survey, Demographic and Housing Estimates (DP05)

Economically Disadvantaged - 2010-2014 American Community Survey 5-Year Estimates

Institutionalized - American Fact Finder/2010 Profile of General Population and Housing Characteristics (DP-1)

Age Demographics - 2009-2013 American Community Survey, Demographic and Housing Estimates (DP05)

Handicapped - 2009-2013 American Community Survey, Disability Characteristics (S1810)

Speakers of Limited English - 2009-2013 American Community Survey, Selected Social Characteristics in the US (DP02). (Based on population 5 years and over who "Speak English less than 'very well'")

Non-English Speaking - 2010-2014 American Community Survey 5-Year Estimates

Ethnicity - 2010-2014 American Community Survey 5-Year Estimates

Geographically Isolated - American Fact Finder/2010 Census Summary File 1, Urban and Rural (P2). Use 'Rural'

Functionally Illiterate - U.S. Dept. of Ed. Institute of Educational Sciences National Assessment of Adult Literacy  
State and County Estimates of Low Literacy 2013, Released 2009  
Shut-In - American Fact Finder/ 2009-2013 American Community Survey, Disability Characteristics (based on  
noninstitutionalized population 18+ "with an independent living difficulty") (S1810)

Describe briefly how this data will be used to plan CLSA-funded services:

This data is used for planned activities of our various committees and to serve all segments of the underserved.

**SERVICE PROGRAM BASELINE BUDGET REQUEST - FY 2017/18**  
**SYSTEM COMMUNICATION & DELIVERY (Section 18745)**

SYSTEM NAME: NorthNet Library System

<p><b>(a) Personnel</b> (Attach job descriptions)</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Classification</th> <th style="text-align: center;">FTE/No. of Positions</th> <th style="text-align: right;">Salary</th> <th style="text-align: right;">Benefits</th> <th style="text-align: right;">Total</th> </tr> </thead> <tbody> <tr> <td>PLP CEO</td> <td style="text-align: center;">.05/1</td> <td style="text-align: right;">\$ 11,961.40</td> <td style="text-align: right;">\$ _____</td> <td style="text-align: right;">\$ 11,961.40</td> </tr> <tr> <td>Coordinator</td> <td style="text-align: center;">.35/1</td> <td style="text-align: right;">\$ 53,528</td> <td style="text-align: right;">\$ _____</td> <td style="text-align: right;">\$ 53,528</td> </tr> <tr> <td>Controller</td> <td style="text-align: center;">.22/1</td> <td style="text-align: right;">\$ 43,718.40</td> <td style="text-align: right;">\$ _____</td> <td style="text-align: right;">\$ 43,718.40</td> </tr> <tr> <td>See List</td> <td style="text-align: center;">0.515/6</td> <td style="text-align: right;">\$ 54,738.20</td> <td style="text-align: right;">\$ _____</td> <td style="text-align: right;">\$ 54,738.20</td> </tr> <tr> <td style="text-align: right;"><b>Total (a):</b></td> <td style="text-align: center;"><b>1.135/9</b></td> <td style="text-align: right;"><b>\$ 163,946</b></td> <td style="text-align: right;"><b>\$ _____</b></td> <td style="text-align: right;"><b>\$ 163,946</b></td> </tr> </tbody> </table>	Classification	FTE/No. of Positions	Salary	Benefits	Total	PLP CEO	.05/1	\$ 11,961.40	\$ _____	\$ 11,961.40	Coordinator	.35/1	\$ 53,528	\$ _____	\$ 53,528	Controller	.22/1	\$ 43,718.40	\$ _____	\$ 43,718.40	See List	0.515/6	\$ 54,738.20	\$ _____	\$ 54,738.20	<b>Total (a):</b>	<b>1.135/9</b>	<b>\$ 163,946</b>	<b>\$ _____</b>	<b>\$ 163,946</b>	<p><b>(b) Operations</b></p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 80%;">1. Office Supplies</td> <td style="text-align: right;">\$ 1,200</td> </tr> <tr> <td>2. Duplication/Photocopy</td> <td style="text-align: right;">\$ _____</td> </tr> <tr> <td>3. Travel</td> <td style="text-align: right;">\$ _____</td> </tr> <tr> <td>4. Training</td> <td style="text-align: right;">\$ _____</td> </tr> <tr> <td>5. e-Resources</td> <td style="text-align: right;">\$ 315,550</td> </tr> </tbody> </table>	1. Office Supplies	\$ 1,200	2. Duplication/Photocopy	\$ _____	3. Travel	\$ _____	4. Training	\$ _____	5. e-Resources	\$ 315,550
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<p><b>(b) Operations</b> (continued)</p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 80%;">6. Contract Services (specify)</td> <td style="text-align: right;">\$ 335,735</td> </tr> <tr> <td style="padding-left: 20px;"><u>Delivery Services</u></td> <td></td> </tr> <tr> <td>7. Telecommunications (specify)</td> <td style="text-align: right;">\$ 1,500</td> </tr> <tr> <td style="padding-left: 20px;"><u>Listserve, conference calls</u></td> <td></td> </tr> <tr> <td>8. Indirect Costs/Fiscal Agent Fee (provide description of services received)</td> <td></td> </tr> <tr> <td style="padding-left: 20px;"><b>Do Not Include System Indirect (pc&amp;e)</b></td> <td style="text-align: right;">\$ _____</td> </tr> <tr> <td colspan="2" style="height: 20px;"></td> </tr> <tr> <td>9. Other: (specify)</td> <td style="text-align: right;">\$ 1,800</td> </tr> <tr> <td style="padding-left: 20px;"><u>Postages, UPS</u></td> <td></td> </tr> <tr> <td colspan="2" style="height: 20px;"></td> </tr> <tr> <td style="text-align: right;"><b>Total (b):</b></td> <td style="text-align: right;"><b>\$ 655,785</b></td> </tr> </tbody> </table>	6. Contract Services (specify)	\$ 335,735	<u>Delivery Services</u>		7. Telecommunications (specify)	\$ 1,500	<u>Listserve, conference calls</u>		8. Indirect Costs/Fiscal Agent Fee (provide description of services received)		<b>Do Not Include System Indirect (pc&amp;e)</b>	\$ _____			9. Other: (specify)	\$ 1,800	<u>Postages, UPS</u>				<b>Total (b):</b>	<b>\$ 655,785</b>	<p><b>(c) Capital Outlay</b></p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 80%;">Equipment (specify)</td> <td style="text-align: right;">\$ _____</td> </tr> <tr> <td colspan="2" style="height: 20px;"></td> </tr> <tr> <td>Equipment Replacement Revolving Fund</td> <td style="text-align: right;">\$ _____</td> </tr> <tr> <td colspan="2" style="height: 20px;"></td> </tr> <tr> <td style="text-align: right;"><b>Total (c):</b></td> <td style="text-align: right;"><b>\$ _____</b></td> </tr> </tbody> </table>	Equipment (specify)	\$ _____			Equipment Replacement Revolving Fund	\$ _____			<b>Total (c):</b>	<b>\$ _____</b>								
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## 2017/18 PROPOSED CLSA BUDGET

BUDGET SUMMARY	
Expense Category	Communications & Delivery Program
Salaries & Benefits	
Operations	655,785
Equipment	
Service Program Sub-total	
System Administration (PC&E) <sup>1</sup>	163,946
TOTAL	819,731

<sup>1</sup>Must not exceed System Administrative (PC&E) total

## Funding for Communications and Delivery – FY 2017/18

There are two sections to this portion of the plan. The first section requires your best estimate for workload for the physical delivery of items, and estimated totals for e-resources, training, and broadband usage. The second section contains several questions that help us understand your plans for communication and delivery.

### Section 1

#### Estimated Workload of Physical Delivery

Physical Items Sent by:	Physical Items Delivered to:			
	System Member Public Libraries	Non-public Libraries in System Area	TOTAL	
a. System member public library	1,100,000	79,000	1,179,000	
b. Non-public libraries in System area	85,000	1,000	86,000	
TOTAL	1,185,000	80,000	1,265,000	
		System Owned	Contracted Vendor	
c. Number of delivery vehicles that physically move items		0	4	
d. Frequency/schedule of physical delivery service		0	3	
e. Percentage of items to be physically delivered by:				
U.S. Mail	UPS	System Van	Contracted Van	Other
0.5%	20%	0%	79.5%	0%

#### Estimated Totals for e-Resources, Training, and Broadband Usage

f. Estimated total number of e-resources to be used (circulated/downloaded/streamed, etc.) by residents of System member libraries	366,500 (Overdrive, Zinio, enki, other e-resources)
g. Percentage of CLSA funds to be spent on e-resources?	48%
h. Estimated number of training events to be presented using C&D Operations funds	0



i. Estimated number of training events to be presented using System Administration funds	0
j. Percentage of CLSA funds to be used for Broadband technology improvements	0%
k. Which member libraries will benefit from Broadband improvements using CLSA allocated funds? (please list)  We do not plan to spend any FY 17/18 C&D funds on broadband improvements.	

## **Section 2**

1. Briefly describe the goals for the Communication and Delivery funding. How will they support the needs of your community? How did you determine these needs? Will you be using any of the communications funding to address broadband connectivity issues?

While delivery to support resource sharing continues to be a high priority for most NLS libraries, in light of changing economic support, and newly identified service trends and priorities, NLS will continue to use strategic priorities developed in FY 2015/16 to guide leadership for FY 2017/18 and to ensure the commitment of C&D funds is impactful for all members.

Shared resources remain a priority for all NorthNet members, especially those in smaller, more geographically remote areas. With this priority in mind, NLS has committed C&D funds to the implementation of a Link+ or similar model of alternative interlibrary lending of materials within the NorthNet System. Upon results and recommendations of an Interlibrary Loan & Delivery Study to be completed for NLS in Fall 2017, this alternative lending approach is intended to allow participating libraries to dramatically increase the amount of materials they offer, reduce fulfillment time, decrease costs, and raise their profile and visibility in their user communities.

In addition to the sharing of physical items, sharing e-resources is a priority. In FY 2016/17, 26 NLS member libraries (up from 21 in 15/16) used a blend of CLSA C&D funds as well as local resources to continue supporting the Zinio consortium. The consortium purchase allows members to receive significant discounted subscription rates on electronic periodicals. Zinio subscriptions have proven to be very popular with patrons in individual NLS libraries and became affordable for many more as a consortium pricing package.

NLS committed an additional \$100,000 from a mid-year CLSA augmentation to support the expansion of Zinio in FY 2017/18. Planning for and implementation of the Zinio expansion will take place in the 2017/18 year.

NLS also committed an additional \$100,000 of CLSA funding to expand the very popular Overdrive eBook subscription and membership. Overdrive use statistics have been increasing annually and hold

times for patrons are often 40 days + for popular titles. C&D funding to add content to libraries e-collections will have an immediate positive impact on the patron's experience. The Overdrive Committee will present an expansion plan to the NLS Executive Committee for review in FY 2017/18 to ensure a fair and equitable means of bringing on new member libraries that are willing to commit local resources beyond the initial start-up.

In addition, enki eBook subscriptions continue to be popular with NLS System patrons, and member libraries invest C&D and local resources to provide these valued resources to their communities. The enki Library is a shared open source eBook network that allows California libraries to own and store eBooks for access by library patrons; to share access to more content than any individual library can purchase on its own; to add features and functionality lacking in current third-party vendor models; and to share access to unique local digitized content with other libraries within the network.

NLS, in cooperation with the other eight CA cooperative library systems, invested in and will continue to support the on-going development of CLSA-INFO, a knowledge-sharing database for systems and libraries statewide. This document sharing tool was created as a direct result of one strategic priority (knowledge-sharing) identified by five of the eight systems.

Broadband is of great interest too, and several NLS libraries benefited from the California Public Library's Broadband Project and the ability to join CENIC and connect to CalREN. This grant funding allowed several NLS member libraries to leverage local funding in order to apply for State funds and to significantly increase their broadband capabilities. The geographic span of NLS and the large number of public library members (41), however, means that broadband connectivity will not come to all members at the same time or in the same way. There are currently no plans to use FY 2017/18 C&D funding for broadband connectivity.

2. Describe your current delivery model. How has it changed from last year? Will you be making any changes in the upcoming year?

Due to the geographic size of our region, NLS libraries use a combination of several delivery models including US Postal Service and private delivery services for remote locations with low volume as well as contracted services by delivery companies for moving high volume loads between member libraries using a shared ILS in more populated areas.

NLS member libraries continue to seek out more economical and efficient methods to move materials. A feasibility study has been commissioned by NLS to review current delivery methods throughout the system and to develop a cost/benefit analysis of implementing an alternative resource sharing and delivery model. The study is to be completed in Fall of 2017, and based on recommendations, NLS may consider planning for implementation of new model of delivery system-wide or regionally.

3. What is the estimated average cost (including library and system staff time) to move one item in the region?

Because of the variations in delivery demand and method, the costs differ from one region to another. For contracted services, costs are based on volume, number of stops and distance. Cost of shipping items through package delivery is determined based on weight and other variables. Overall, the average cost is estimated at \$0.17 per item (2016/17 figure). No change is anticipated for FY 2017/18.

4. Please briefly describe how any non-CLSA funds will be used to support communication and delivery. This information will help to document the significant contributions of non-CLSA funds toward library cooperation in California.

The libraries that participate in a shared ILS pay from their local funding all of the costs for their shared participation in the shared computer system, as well as most of the delivery costs to move material among their group. Member libraries have also enhanced their shared catalogs of e-books and other e-resources through enki, Overdrive and Zinio subscriptions with local funding.

5. How will you evaluate that the goals have been met and the funding has met the needs of the community?

ILL statistics will continue to be tracked and reported as they have in the past. Use of shared e-resources will be measured and compared to the most recent fiscal year to demonstrate that aspect of the C&D program for 2017/18. We continually monitor effectiveness of services through feedback from member libraries.

## **Future Plans for Cooperative System**

Given the uncertainty of State funding, how is your cooperative system preparing and planning for the future? How will you be funded? What services are priorities? And lastly, how will your system evolve?

Five Key Strategic Directions for the NorthNet Library System were generated and refined from the results of a series of workshops and feedback from online surveys in Fall 2015. These Strategic Directions outlined below will continue to inform the focus of NLS leadership, staff and members and allow them to take advantage of service opportunities as they become apparent.

\* **Member Asset Mapping** is an activity that began in FY 15/16 and will be included in the on-going development of the Knowledge Platform; this info will also be communicated and can be used immediately by member libraries to share information, expertise, and even opportunities to collaborate or enhance purchasing power.

\* **Sharing People and Knowledge Platform** was a highly prioritized initiative among many other systems and could become a collaborative effort at a multi-system or even statewide scale. NLS staff and leadership will continue to review this priority and determine implementation strategies.

\* **Zip Books** is an initiative that replaces ILL with a “buy vs borrow” procurement model. This program has been supported by the California State Library with a number of rural libraries from around the state participating. The California Library Services Board approved a \$1 million statewide expansion of Zip Books for FY 2017-2019 with NLS as the lead system on development and implementation of this project. An Advisory Group met and will continue to provide guidance as the details and logistics of expansion are developed. NLS staff will work closely with Califa (Zip Books operations lead) and the State Library to implement expansion of the Zip Books project.

\* **Training and Development/ Facilitation and Capacity Building** were combined to broaden the scope of this priority and will be achieved with complementary activities. NLS members continue to search for professional development opportunities. NLS libraries participated in the California State Library sponsored Harwood Turning Libraries Outward lab in May 2016 and some may participate in the follow-up 18-month intensive project. NLS, with the Pacific Library Partnership (PLP) as a partner, was awarded a FY 2016/17 Pitch-An-Idea grant for “Community Engagement and Facilitation Skills Training for NLS and PLP Libraries.” 10 NLS libraries and 1 PLP library participated in this training led by Common Knowledge Executive Director, Susan Clark. Library teams continue to meet for coaching and reporting back on challenges and successes via phone and/or webinar. For both the Harwood and Common Knowledge training, information and results of these programs will be shared with all member libraries.

NLS libraries also participated in the CSL Mental Health Initiative (FY 2016/17) with library staff becoming certified Mental Health and First Aid trainers. With this certification, trained staff coordinated and conducted MHFA training at several NLS library locations to train staff in skills to better understand

needs of patrons experiencing mental health needs, as well as learning to better support their family and caregivers.

\* **Budget Cycle Alignment for Increased Collaboration/Purchasing Power** will be reviewed in FY 2017/18 to determine how best to identify and support the goals of this priority. Because NLS is a large system, with many members covering much geographical territory, it can be challenging to organize collaborative purchasing. This remains, however, a need for member libraries to capture cost savings and gain access to a wide array of content.

Classification	FTE	Salary	TOTAL
CEO	.05 FTE		11961.4
Coordinator	.35 FTE		53528
Controller	.22 FTE		43718.4
Office Manager	.175 FTE		23491.6
Secretary	.03 FTE		3622.3
Database/building Manager	.075 FTE		10067.2
Account Clerk	.079 FTE		7763.8
Accountant	.056 FTE		6213.9
Administrative Assistant	.1 FTE		3579.4
			163946



2471 Flores Street, San Mateo, CA 94403  
650-349-5538 Fax: 650-349-5089

[www.northnetlibs.org](http://www.northnetlibs.org)

To: NLS Executive Committee

From: Ad hoc Nominating Committee (Danis Kreimeier, Mary George, James Ochsner)

Subject: Nominations for FY 2017/18 NLS Executive Committee & Officers

Date: May 16, 2017

We nominate the following as officers for 1 year term ending 6/30/2018:

Chair: Mel Lightbody, Butte County Library

Chair Elect/Vice-Chair: Todd Deck, Tehama County Library

Executive Committee members for 2 year term ending 6/30/2019:

Vanessa Christman, Humboldt County Library

Kathryn Hunt, Lincoln Public Library

James Ochsner, Sutter County Library

Continuing to serve on the Executive Committee with terms ending 6/30/2018 are:

Stacey Costello, Colusa County Library

Ana Danielson, Mono County Library

Suzanne Olawaski, Solano County Library

NORTHNET LIBRARY SYSTEM  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016



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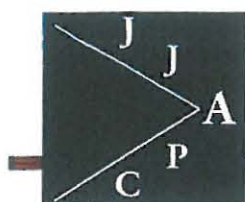
**Northnet Library System**  
**Basic Financial Statements**  
**For the year ended June 30, 2016**

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**JJACPA, Inc.**

A Professional Accounting Services Corp.

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### **INDEPENDENT AUDITOR'S REPORT**

To the Administrative Council of the  
Northnet Library System  
San Mateo, California

#### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the Northnet Library System (NLS) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise NLS's basic financial statements as listed in the table of contents. The prior-year comparative total information presented has been derived from the NLS's 2015 basic financial statements and, in our report dated March 3, 2016 we expressed an unqualified opinion on the those financial statements.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position and the budgetary comparison information of NLS, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2017 on our consideration of NLS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 NLS's internal control over financial reporting and compliance.

March 8, 2017

**JJACPA, Inc.**  
**JJACPA, Inc.**  
**Dublin, CA**

**Northnet Library System**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2016**

---

**Management's Discussion and Analysis**

This section of the Northnet Library System's (NLS) basic financial statements presents management's discussion and analysis of NLS's financial performance during the fiscal year ended June 30, 2016. Since this management's discussion and analysis is designed to focus on current activities, resulting change, and current known facts, please read it in conjunction with NLS's basic financial statements (pages 12 and 13) as well as the footnotes to the financial statements (pages 15 - 22).

**Financial Highlights**

At June 30, 2016, NLS ended the year with a net position balance of \$551,807 which is an increase of \$11,930 over the net position balance of \$539,877 at June 30, 2015 due to additional funding from the State Library and higher interest income.

**Using This Report**

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*. Changes in Statement No. 34 require a comprehensive one-line look at the entity as a whole and capitalization of assets and depreciation. The major reconciling items necessary were capitalization and depreciation of capital assets and inclusion of long-term liabilities. NLS has selected the single governmental fund (General Fund) presentation since this reflects the most concise and easily readable presentation for NLS's operations.

The annual financial statements include the Independent Auditor's Report, this management's discussion and analysis, the basic financial statements, and notes to basic financial statements and required supplementary information.

**Northnet Library System**  
**Management's Discussion and Analysis, *continued***  
**For the year ended June 30, 2016**

**Financial Analysis of NLS as a Whole**

**Statement of Net Position**  
**As of June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Assets:</b>				
Current Assets	<u>\$ 1,059,955</u>	<u>\$ 1,087,008</u>	<u>\$ (27,053)</u>	-2.5%
<b>Total Assets</b>	<u>1,059,955</u>	<u>1,087,008</u>	<u>(27,053)</u>	-2.5%
<b>Liabilities:</b>				
Current Liabilities	<u>502,332</u>	<u>518,692</u>	<u>(16,360)</u>	-3.2%
<b>Total liabilities</b>	<u>502,332</u>	<u>518,692</u>	<u>(16,360)</u>	-3.2%
Deferred inflows - Unavailable revenue	<u>5,816</u>	<u>28,439</u>	<u>(22,623)</u>	-79.5%
<b>Net position:</b>				
Restricted	<u>180,099</u>	<u>180,099</u>	<u>-</u>	0.0%
Unrestricted	<u>371,708</u>	<u>359,778</u>	<u>11,930</u>	3.3%
<b>Total net position</b>	<u>551,807</u>	<u>539,877</u>	<u>11,930</u>	2.2%
<b>Total liabilities, deferred inflows and net position</b>	<u><u>\$ 1,059,955</u></u>	<u><u>\$ 1,087,008</u></u>	<u><u>(27,053)</u></u>	-2.5%

This schedule is prepared from NLS's Statement of Net Position, which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Net position of \$551,807 at June 30, 2016, consisted of \$371,708 unrestricted amount available for operations and \$180,099 restricted amount for communication and delivery equipment replacement.

**Northnet Library System**  
**Management's Discussion and Analysis, *continued***  
**For the year ended June 30, 2016**

**Financial Analysis of NLS as a Whole, *continued***

**Operating Results**  
**For the years ended June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
<b>Operating expenses</b>	<u>\$ 902,959</u>	<u>\$ 895,861</u>	<u>\$ 7,098</u>	<u>0.8%</u>
<b>Program revenues:</b>				
Grants	469,135	694,366	(225,231)	-32.4%
Library Services	28,447	17,200	11,247	65.4%
Membership dues	101,964	104,270	(2,306)	-2.2%
Membership reimbursements	<u>310,732</u>	<u>316,176</u>	<u>(5,444)</u>	<u>-1.7%</u>
<b>Total program revenue</b>	<u>910,278</u>	<u>1,132,012</u>	<u>(230,675)</u>	<u>-20.4%</u>
<b>Net operating expenses</b>	<u>(7,319)</u>	<u>(236,151)</u>	<u>228,832</u>	<u>-96.9%</u>
<b>General revenue:</b>				
Interest	<u>4,611</u>	<u>2,480</u>	<u>2,131</u>	<u>85.9%</u>
<b>Total general revenue</b>	<u>4,611</u>	<u>2,480</u>	<u>2,131</u>	<u>85.9%</u>
<b>Increase (decrease) in net position</b>	<u>11,930</u>	<u>238,631</u>	<u>(226,701)</u>	<u>-95.0%</u>
<b>Net position:</b>				
Beginning of year	<u>539,877</u>	<u>301,246</u>	<u>238,631</u>	<u>79.2%</u>
End of year	<u>\$ 551,807</u>	<u>\$ 539,877</u>	<u>\$ 11,930</u>	<u>2.2%</u>

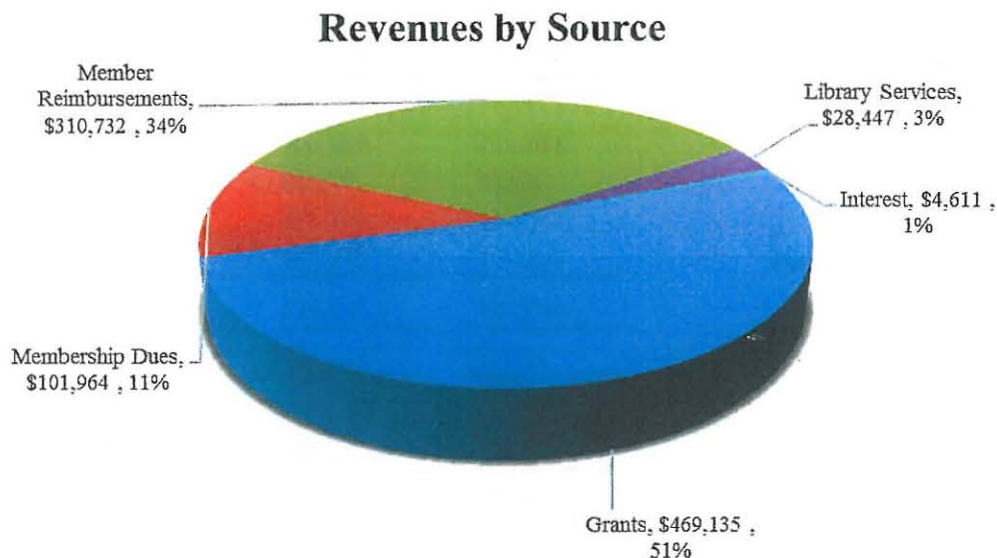
In fiscal year 2015-16, program revenues were primarily from grants and memberships, which amounted to \$910,278. General revenues consisted of interest revenue.



**Northnet Library System**  
**Management's Discussion and Analysis, *continued***  
**For the year ended June 30, 2016**

**Financial Analysis of NLS as a Whole, *continued***

The following is a graphic illustration of revenues by source for the year ended June 30, 2016:



**Operating Expenses**  
**For the years ended June 30, 2016 and 2015**

	2016	2015	Increase (Decrease)	Percent Change
<b>Operating expense:</b>				
Administrative	\$ 187,539	\$ 205,996	\$ (18,457)	-9.0%
Services and Supplies	715,420	689,865	25,555	3.7%
<b>Total</b>	<u>\$ 902,959</u>	<u>\$ 895,861</u>	<u>\$ 7,098</u>	0.8%

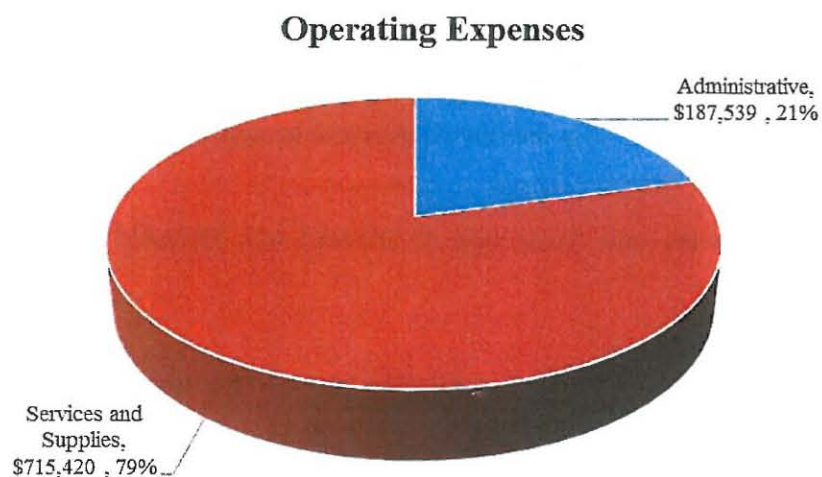
Operating expenses in the amount of \$715,420 were split amongst two major categories; administrative and services and supplies.

**Northnet Library System**  
**Management's Discussion and Analysis, *continued***  
**For the year ended June 30, 2016**

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**Financial Analysis of NLS as a Whole, *continued***

The following is a graphic illustration of operating expenses for the year ended June 30, 2016:



**Analysis of Net Position**  
**As of June 30, 2016 and 2015**

	2016	2015	Increase (Decrease)	Percent Change
<b>Net Position:</b>				
Restricted	\$ 180,099	\$ -	\$ 180,099	100.0%
Unrestricted	371,708	539,877	(168,169)	-31.1%
<b>Total</b>	<u>\$ 551,807</u>	<u>\$ 539,877</u>	<u>\$ 11,930</u>	2.2%

The increase in net position of \$11,930 is primarily due to additional revenues from LSTA indirect and interest income.

**Northnet Library System**  
**Management's Discussion and Analysis, *continued***  
**For the year ended June 30, 2016**

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

In considering NLS's Budget for fiscal year 2015-16 the Administrative Council and management used the following criteria:

The key assumptions in our revenue forecast were:

1. Interest earnings should be approximately the same.
2. State library and membership fees are expected to be approximately the same.

The adopted budget for the new fiscal year of 2016-17 was \$850,311 and is summarized as follows:

	<u>FY 2016-17</u>	<u>FY 2015-16</u>	<u>Percentage change</u>
<b>Expenditures:</b>			
Administrative	\$ 200,676	\$ 233,804	-14.2%
Services and supplies	649,635	706,817	-8.1%
<b>Total Expenditures</b>	<u>850,311</u>	<u>940,621</u>	-9.6%
<b>Total budget</b>	<u>\$ 850,311</u>	<u>\$ 940,621</u>	-9.6%

1. Administrative – Shows a decrease of approximately 14.2%, which is due to the one-time strategic plan update in the last year.
2. Services and Supplies – Shows a decrease of approximately 8.1% due to a decrease in contractual services.

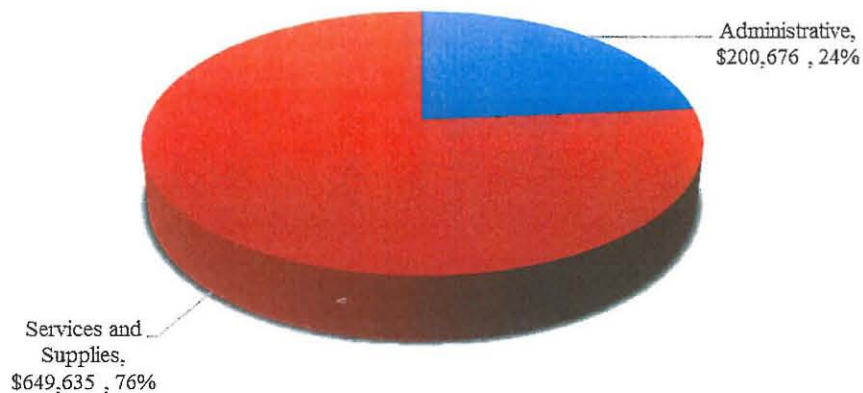
**Northnet Library System**  
**Management's Discussion and Analysis, *continued***  
**For the year ended June 30, 2016**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES, *continued***

The following is a graphic illustration of appropriations for fiscal year 2016-17:

**Budgeted Expenditures**



**Contacting NLS**

This financial report is designed to provide our customers and creditors a general overview of NLS's finances and to demonstrate NLS's accountability for the money it receives and is allocated to it. If you have questions about this report, contact the Northnet Library System, 2471 Flores Street, San Mateo, CA 94403, telephone number (650) 349-5538.

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## BASIC FINANCIAL STATEMENTS

**Northnet Library System**  
**General Fund Balance Sheet/Statement of Net Position**  
**June 30, 2016**

	<u>General Fund</u>	<u>Adjustments (Note 8)</u>	<u>Statement of Net Position</u>	<u>2015</u>
<b>ASSETS</b>				
<u>Current</u>				
Cash and investments:				
Available for operations	\$ 1,037,495	\$ -	\$ 1,037,495	\$ 1,048,312
Accounts receivable	20,965	-	20,965	37,905
Interest receivable	1,495	-	1,495	791
<b>Total assets</b>	<u>\$ 1,059,955</u>	<u>\$ -</u>	<u>\$ 1,059,955</u>	<u>\$ 1,087,008</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
<u>Current</u>				
Accounts payable and accrued liabilities	\$ 48,335	\$ -	\$ 48,335	\$ 37,451
Deposits payable	453,997	-	453,997	481,241
<b>Total liabilities</b>	<u>502,332</u>	<u>-</u>	<u>502,332</u>	<u>518,692</u>
<b>Deferred Inflows:</b>				
Unavailable revenue	5,816		5,816	28,439
<b>Total Deferred Inflows</b>	<u>5,816</u>	<u>-</u>	<u>5,816</u>	<u>28,439</u>
<b>Fund balances/Net position:</b>				
Committed	180,099	(180,099)		
Unassigned, reported in:				
General fund	371,708	(371,708)	-	-
<b>Total fund balances</b>	<u>551,807</u>	<u>(551,807)</u>	<u>-</u>	<u>-</u>
<b>Total liabilities, deferred inflows and fund     balances</b>	<u>\$ 1,059,955</u>			
<b>NET POSITION</b>				
Restricted		180,099	180,099	-
Unrestricted		371,708	371,708	539,877
<b>Total net position</b>		<u>\$ 551,807</u>	<u>551,807</u>	<u>539,877</u>
<b>Total liabilities, deferred inflows and net position</b>			<u>\$ 1,059,955</u>	<u>\$ 1,087,008</u>

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

**Northnet Library System**  
**Statement of General Fund Revenues, Expenditures, and**  
**Changes in Fund Balance/Statement of Activities**  
**For the year ended June 30, 2016**

	General Fund	Adjustments (Note 9)	Statement of Activities	2015
<b>EXPENDITURES/EXPENSES:</b>				
Administrative	187,539	\$ -	\$ 187,539	\$ 205,996
Services and supplies	715,420	-	715,420	689,865
<b>Total expenditures/expenses</b>	<b>902,959</b>	<b>-</b>	<b>902,959</b>	<b>895,861</b>
<b>REVENUES:</b>				
Program revenues:				
Grants	469,135	-	469,135	694,366
Library services	28,447	-	28,447	17,200
Membership dues	101,964	-	101,964	104,270
Member reimbursements	310,732	-	310,732	316,176
<b>Total program revenues</b>	<b>910,278</b>	<b>-</b>	<b>910,278</b>	<b>1,132,012</b>
<b>Net program expense</b>	<b>(7,319)</b>	<b>-</b>	<b>(7,319)</b>	<b>(236,151)</b>
General revenues:				
Interest	4,611	-	4,611	2,480
<b>Total general revenues</b>	<b>4,611</b>	<b>-</b>	<b>4,611</b>	<b>2,480</b>
<b>REVENUES OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<b>11,930</b>			
<b>CHANGE IN NET POSITION</b>		<b>-</b>	<b>11,930</b>	<b>238,631</b>
<b>FUND BALANCES/NET POSITION:</b>				
Beginning of the year	539,877	-	539,877	301,246
End of the year	<u>\$ 551,807</u>	<u>\$ -</u>	<u>\$ 551,807</u>	<u>\$ 539,877</u>

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



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**Northnet Library System**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2016**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Northnet Library System (“NLS”) is a Joint Powers Agency under Government Code Section 6500 *et. seq.* established on January 9, 2009 which began operations on July 1, 2009 through a Joint Powers Agreement entered into on May 8, 2009 by the North Bay Cooperative Library System, Mountain Valley Library System and the North State Cooperative Library System. NLS is a library services organization which has the powers necessary to establish, improve and extend library services held by its members and those powers designated in Government Code Section 6508. No single member controls NLS. NLS also delivers library materials to members, provides research services and general education workshops, and training seminars for its members.

NLS is governed by an Administrative Council composed of all of the library directors of library agencies therein. Oversight responsibility, the ability to conduct independent financial affairs, issue debt instruments, approve budgets, and otherwise influence operations and account for fiscal matters is exercised by NLS's Administrative Council. NLS is a separate reporting entity for financial reporting purposes and the accompanying basic financial statements reflect the assets, liabilities, fund balances/net position, revenues, and expenditures/expenses of NLS only.

The Peninsula Library System (PLS) acts as fiscal agent and Treasurer/Controller for NLS and acts as the depository and has custody of the money of NLS and performs those duties required by Government Code sections 6505 and 6505.5. PLS took over these duties on July 1, 2013. More information regarding the contract with PLS is located in Note 5.

The financial statements of NLS have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

In June 1999, the GASB released Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. NLS has selected the single governmental fund (General Fund) presentation since this reflects the most concise and easily readable presentation for NLS's operations.

**A. Reporting Entity**

As defined by GASB Statement No.39, *The Financial Reporting Entity*, NLS is not financially accountable for any other entity other than itself, nor are there any other entities for which the nature and significance of their relationship with NLS are such that exclusion would cause NLS's financial statements to be misleading or incomplete.

In addition, based upon the above criteria, NLS is not aware of any entity which would be financially accountable for NLS which would result in NLS being considered a component of the entity.

**Northnet Library System**  
**Notes to Basic Financial Statements, *continued***  
**For the year ended June 30, 2016**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,**  
***continued***

**B. Basis of Accounting**

The fund-based financial statement columns (Governmental Funds column) on Pages 10 and 11 are accounted for using the modified accrual basis of accounting and reflect balances for NLS's General Fund. This funds revenues are recognized when they become measurable and available as net current assets. Measurable means the amount of the transaction can be determined and available means the amount is collectible within the current period or soon enough thereafter (generally sixty days) to be used to pay liabilities of the current period. Amounts, which could not be measured or were not available, were not accrued as revenue in the current fiscal year. The Statements of Net Position and Activities columns on Pages 10 and 11 have been prepared on the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

**C. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**D. Budgets**

Budgets are prepared on the modified accrual basis of accounting, in which capital assets acquired are recorded as expenditures and depreciation is not recorded.

NLS follows these procedures in establishing the budgetary data reflected in the financial statements:

- By June 30, the proposed budget is presented to the Administrative Council to review and approve for the year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- The budget is legally enacted through passage of a motion during a Administrative Council meeting prior to year-end.
- Formal budgeting is employed as a management control device during the year for the general fund.
- Budgets for the General Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

**Northnet Library System**  
**Notes to Basic Financial Statements, *continued***  
**For the year ended June 30, 2016**

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**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,**  
***continued***

**D. Budgets, *continued***

The legal level of a budgetary control, the amount to which budget should not be exceeded, is the program level.

Budgeted amounts are as originally adopted or as amended by the Administrative Council. Individual amendments were not material in relation to the original appropriations.

**E. Cash and Investments**

NLS pools cash and investments from all funds for the purpose of increasing income through investment activities. Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Market value is used as fair value for those securities for which market quotations are readily available.

**2. CASH AND INVESTMENTS**

The System had the following cash and investments at June 30, 2016:

	FDIC/ SIPC insured	Not rated	Fair Value
Cash deposits - Boston Private Bank & Trust Company	\$ 9,362	\$ -	\$ 9,362
Local Agency Investment Fund (LAIF)	-	1,028,133	1,028,133
Total	<u>\$ -</u>	<u>\$ 1,028,133</u>	<u>\$ 1,037,495</u>

**A. Cash Deposits**

NLS pools cash from all sources. NLS invests excess cash in LAIF.

The California Government Code requires California banks and savings and loan associations to secure government cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral is considered to be held in the government's name.

According to California law, the market value of pledged securities with banking institutions must equal at least 110% of the government's cash deposits. California law also allows institutions to secure government deposits by pledging first trust deed mortgage notes having a value of 150% of the government's total cash deposits. The government can waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation.

**Northnet Library System**  
**Notes to Basic Financial Statements, *continued***  
**For the year ended June 30, 2016**

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**2. CASH AND INVESTMENTS, *continued***

**B. Investments**

NLS is authorized by State statutes and Administrative Council action to invest in the following:

- United States Treasury notes, bonds, bills or certificates of indebtedness.
- Registered state warrants or treasury notes or bonds of the State of California.
- Bonds, notes, warrants or other evidences of indebtedness of any local agency within the State of California.
- Obligations issued by banks and guaranteed by federal agency or United States government-sponsored enterprise.
- Negotiable certificates of deposit or time deposits placed with commercial banks and/or savings and loan companies.
- Banker's acceptances.
- Commercial paper.
- California Local Agency Investment Fund (LAIF).

NLS invests in LAIF, an unrated pool, which limits the exposure of the funds to interest rate and credit risk by treating all balances as current.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method, which includes any adjustments recorded in interest/investment income.

**C. Investments in External Investment Pools**

NLS's investments with LAIF at June 30, 2016, included a portion of the pool funds invested in structured notes and asset backed securities and similar transactions.

LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. NLS reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2016, these investments matured in an average of 167 days.

**Northnet Library System**  
**Notes to Basic Financial Statements, *continued***  
**For the year ended June 30, 2016**

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**3. DEPOSITS PAYABLE**

NLS records payments for services not yet rendered as deposits payable. The deposits payable balance consists of payments made by member systems. The balance at June 30, 2016 consists of the following contributions:

North Bay Cooperative Library System	\$ 268,117
Mountain Valley Library System	<u>185,880</u>
Total Deposits Payable	<u>\$ 453,997</u>

**4. DEFERRED INFLOWS – UNAVAILABLE REVENUE**

NLS records payments for services not yet rendered as deferred inflows. NLS expects to recognize \$5,816 as revenue during the fiscal year 2016-17.

**5. RELATED PARTY TRANSACTIONS**

NLS contracts with the Peninsula Library System (PLS), as its fiscal agent, for administrative services and/or materials. In compensation for services provided, NLS paid \$124,641 to PLS for the year ended June 30, 2016. These amounts were reported as administration expenses in the Statement of Activities.

**6. FUND BALANCES/NET POSITION**

Fund Balances consist of the following: Nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance consists of investments that will not convert to cash soon enough to affect the current period. Restricted fund balance consists of resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government. Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action of NLS's highest level of decision-making authority. Assigned fund balance consists of amounts where intent is expressed by the governing body itself or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes. Unassigned amounts represent fund balance in the general fund in excess of nonspendable, restricted, committed and assigned fund balance. Currently, the NLS uses only the committed and unassigned categories.

	<u>Fund Balance</u>
Committed:	
Communications and delivery equipment replacement	\$ 180,099
Unassigned	<u>371,708</u>
<b>Total</b>	<u><b>\$ 551,807</b></u>

The following describes the purpose of the commitment:

- **Communications and delivery equipment replacement** represents CLSA funds set aside capital replacement.

**Northnet Library System**  
**Notes to Basic Financial Statements, *continued***  
**For the year ended June 30, 2016**

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**6. FUND BALANCES/NET POSITION, *continued***

Net position consists of restricted and unrestricted amounts. Restricted amounts consist of CLSA funds set aside for communications and delivery equipment replacement. Unrestricted amounts reflect balances available for current operations. At June 30, 2016, NLS had only restricted and unrestricted balances:

	<u>Net Position</u>
Restricted	\$ 180,099
Unrestricted	<u>371,708</u>
<b>Total</b>	<u><u>\$ 551,807</u></u>

**7. INSURANCE**

NLS purchases catastrophic liability insurance to protect itself from unforeseen losses utilizing a premium based policy.

**Northnet Library System****Notes to Basic Financial Statements, *continued*****For the year ended June 30, 2016****8. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND BALANCE SHEETS AND THE STATEMENTS OF NET POSITION**

“Total fund balances” of NLS’s General fund of \$551,807 does not differ from “net position” of governmental activities of \$551,807, reported in the Statement of Net Position. A difference may occur from the long-term economic focus of the statement of net position versus the current financial resources focus of the General fund balance sheet. As of June 30, 2016 there was no difference between the long-term economic focus of the statement of net position and the current financial resources focus of the General fund balance sheet. Any effects of this difference would be illustrated below:

**Balance Sheet/Statement of Net Position**

	<b>General Fund</b>	<b>Reclassifications and Eliminations</b>	<b>Statement of Net Position</b>
<b>Assets:</b>			
Cash and investments	\$ 1,037,495	\$ -	\$ 1,037,495
Accounts receivable	20,965	-	20,965
Interest receivable	1,495	-	1,495
<b>Total assets</b>	<b>\$ 1,059,955</b>	<b>\$ -</b>	<b>\$ 1,059,955</b>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	48,335	-	48,335
Deposits payable	453,997	-	453,997
<b>Total liabilities</b>	<b>502,332</b>	<b>-</b>	<b>502,332</b>
<b>Deferred Inflows:</b>			
Unavailable revenue	5,816	-	5,816
<b>Total Deferred Inflows</b>	<b>5,816</b>	<b>-</b>	<b>5,816</b>
<b>Fund Balances/Net Position</b>			
Total fund balances/net position	551,807		551,807
<b>Total liabilities, deferred inflows, and fund balances/net position</b>	<b>\$ 1,059,955</b>	<b>\$ -</b>	<b>\$ 1,059,955</b>



**Northnet Library System**  
**Notes to Basic Financial Statements, *continued***  
**For the year ended June 30, 2016**

**9. EXPLANATION OF DIFFERENCES BETWEEN GOVERNMENTAL FUND  
OPERATING STATEMENTS AND THE STATEMENT OF ACTIVITIES**

The “net change in fund balances” for the General fund, \$11,930, does not differ from the “change in net position” for governmental activities of \$11,930 reported in the Statement of Activities. A difference may occur from NLS incurring any long term liabilities or depreciation expense. As of June 30, 2016, there was no difference between the long-term economic focus of the statement of activities versus the current financial resources of the general fund. Any effects of the difference would be illustrated below:

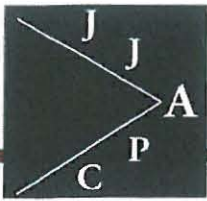
<b>Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities</b>			
	<b>General Fund</b>	<b>Reclassifications and Eliminations</b>	<b>Statement of Activities</b>
<b>EXPENDITURE/EXPENSES:</b>			
Administrative	\$ 187,539	\$ -	\$ 187,539
Services and supplies	715,420	-	715,420
<b>Total expenditures/expenses</b>	<b>902,959</b>	<b>-</b>	<b>902,959</b>
<b>REVENUES:</b>			
Program revenues:			
Grants	469,135	-	469,135
Library services	28,447	-	28,447
Membership dues	101,964	-	101,964
Member reimbursements	310,732	-	310,732
<b>Total program revenues</b>	<b>910,278</b>	<b>-</b>	<b>910,278</b>
<b>Net program expense</b>	<b>(7,319)</b>	<b>-</b>	<b>(7,319)</b>
General revenues:			
Interest	4,611	-	4,611
<b>Total general revenues</b>	<b>4,611</b>	<b>-</b>	<b>4,611</b>
<b>REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	<b>11,930</b>		
<b>CHANGE IN NET POSITION</b>		<b>-</b>	<b>11,930</b>
<b>FUND BALANCES/NET POSITION</b>			
Beginning of the year	539,877	-	539,877
End of the year	\$ 551,807	\$ -	\$ 551,807

**REQUIRED SUPPLEMENTARY INFORMATION**

**Northnet Library System**  
**Required Supplementary Information**  
**For the year ended June 30, 2016**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the year ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>with Final Budget Positive (Negative)</b>
<b>Budgetary Fund Balance, July 1, 2015</b>	\$ 539,877	\$ 539,877	\$ 539,877	\$ -
<b>Resources (inflows):</b>				
Grants:				
Federal	4,753	4,753	47,291	(42,538)
State	421,857	421,857	421,844	13
Library services	-	-	28,447	(28,447)
Membership dues	104,180	104,180	101,964	2,216
Membership reimbursements	326,617	326,617	310,732	15,885
Interest	1,250	1,250	4,611	(3,361)
<b>Amounts available for appropriation</b>	<b>858,657</b>	<b>858,657</b>	<b>914,889</b>	<b>(56,232)</b>
<b>Changes to appropriations (outflows):</b>				
Administrative	233,804	233,804	187,539	46,265
Services and supplies	706,817	706,817	715,420	(8,603)
<b>Total charges to appropriations</b>	<b>940,621</b>	<b>940,621</b>	<b>902,959</b>	<b>37,662</b>
<b>Budgetary fund balance, June 30, 2016</b>	<b>\$ 457,913</b>	<b>\$ 457,913</b>	<b>\$ 551,807</b>	<b>\$ (93,894)</b>



**JJACPA, Inc.**

A Professional Accounting Services Corp.

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**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**

Administrative Council  
Northnet Library System  
San Mateo, 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 basic financial statements of the Northnet Library System (NLS), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively NLS's basic financial statements, and have issued our report thereon dated March 8, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered NLS's internal control over financial reporting (internal control) to determine the 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 NLS's internal control. Accordingly, we do not express an opinion on the effectiveness of NLS's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether NLS'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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.

March 8, 2017

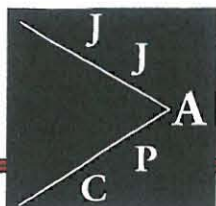
*JJACPA, Inc.*  
**JJACPA, Inc.**  
**Dublin, CA**

NORTHNET LIBRARY SYSTEM

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AND  
COMMUNICATION OF INTERNAL CONTROL RELATED MATTERS

JUNE 30, 2015





**JJACPA, Inc.**

A Professional Accounting Services Corp.

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March 3, 2016

To the Administrative Council of the  
Northnet Library System  
San Mateo, California

We have audited the basic financial statements of the Northnet Library System as of and for the year ended June 30, 2015, and have issued our report thereon dated March 3, 2016. Professional standards require that we advise you of the following matters relating to our audit.

#### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated May 5, 2015 our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Northnet Library System solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

#### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

#### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Northnet Library System is included in Note 1 to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2014-15. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are useful lives of capital assets ("useful lives").

Management's estimate of the useful lives is based on experience with and observation of capital assets, by category as well as industry standards, when applicable (i.e. buildings). We evaluated the key factors and assumptions used to develop the useful lives and determined that it is reasonable in relation to the basic financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Northnet Library System's financial statements relate to commitments and contingencies.

## **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

## **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole or applicable opinion units.

## **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Northnet Library System's financial statements or the auditor's report. No such disagreements arose during the course of the audit.



## Representations Requested from Management

We have requested certain written representations from management, which are included in a separate letter dated March 3, 2016.

## Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

## Other Significant Findings or Issues

In the normal course of our professional association with Northnet Library System, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting Northnet Library System, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the entity's auditors.

## Communication of Internal Control Related Matters

In planning and performing our audit of the financial statements, we considered the Northnet Library System's internal control over financial reporting (internal control) to determine the 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 Northnet Library System's internal control. Accordingly, we do not express an opinion on the effectiveness of Northnet Library System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

This communication is intended solely for the information and use of the Administrative Council and management of Northnet Library System, others within the organization and Federal and State agencies and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Joseph J. Arch*

JOSEPH J. ARCH, CPA  
President/CEO  
JJACPA, INC.