

ROY R. SEILER
CERTIFIED PUBLIC ACCOUNTANT

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October, 2008

System Council
North State Cooperative Library System
Willows, California

I have audited the financial statements of the North State Cooperative Library System (the System) for the year ended June 30, 2008, and have issued my report thereon dated October 17, 2008. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated June 18, 2007, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

As part of my audit, I considered the internal control of the System. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the System are described in note one to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. I noted no transactions entered into by the System during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were): depreciation, prepaids and payables.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedure. An audit adjustment may or may not indicate matters that could have a significant effect on the System's financial reporting process (that is, cause future financial statements to be materially misstated). In my judgment, none of the adjustments I proposed, whether recorded or unrecorded by the System, either individually or in the aggregate, indicate matters that could have a significant effect on the System's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Issues Discussed Prior to Retention of Independent Auditor

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the System's auditor. However, these discussions occurred in the normal course of my professional relationship and my response was not a condition to my retention.

Difficulties Encountered in Performing the Audit

I encountered no difficulties in dealing with management in performing my audit.

Conclusion

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

Roy R. Seiler, CPA

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October, 2008

Board of Directors
North State Cooperative Library System
Santa Rosa, California

Required Communications:

In planning and performing my audit of the financial statements of the North State Cooperative Library System as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, I considered the System's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, I do not express an opinion on the effectiveness of the System's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant.

Control deficiencies exists when the design or operation of a control does not allow management or employees in the normal course of their functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the System's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the System's financial statements that is more than inconsequential will not be prevented or detected by the System's internal control. I consider the following deficiencies to be significant deficiencies in internal control. Included is management's response.

Reliance upon Auditor for Financial Statement Preparation and Footnote Disclosures

Condition: Management relies on the auditor to determine the proper presentation of financial statements and related footnote disclosures.

Criteria: Statement of Auditing Standards states that the auditor may not be of the Organization's internal control system; specifically someone from the Organization must be knowledgeable enough in generally accepted accounting principles to know if a misstatement has occurred in the financial statements including the notes to the financial statements.

Cause: The Organization does not have either an employee experienced in the generally accepted accounting principles or an accounting firm engaged to assure compliance with generally accepted auditing principles.

Effect: Undetermined.

Recommendation: I recommend that management consider the cost benefit of hiring an accountant familiar with generally accepted accounting principles or hiring an independent Certified Public Accounting firm to compile full disclosure financial statements.

Response: Management has determined there is no cost-benefit to hiring an accountant to review the financial statements for compliance with Accounting Principles Generally Accepted in the United States of America prior to the annual audit of the financial statements.

This information is intended solely for the use staff and board of directors of the North State Cooperative Library System and is not intended to be and should not be used by anyone other than these specified parties

Sincerely,

Roy R. Seiler, CPA

NORTH STATE COOPERATIVE LIBRARY SYSTEM
FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S OPINION
FOR THE YEAR ENDED
JUNE 30, 2008

NORTH STATE COOPERATIVE LIBRARY SYSTEM
TABLE OF CONTENTS
JUNE 30, 2008

BASIC FINANCIAL STATEMENTS:

EXHIBITS

Independent Auditor's Report

Report on Compliance and On Internal Control Over
Financial Reporting Based On An Audit of Financial
Statements Performed In Accordance With Government
Auditing Standards

Statement of Net Assets

ONE

Statement of Activities

TWO

Balance Sheet Governmental Funds

THREE

Statement of Revenues, Expenditures and
Changes in Balances-Governmental Funds

FOUR

Notes to Financial Statements

STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances-Budget and
Actual; General (Misc.) Fund

ONE

Statement of Revenues, Expenditures
and Changes in Fund Balances-Budget and
Actual-System Administration (C.L.S.A.)

TWO

Statement of Revenues, Expenditures
and Changes in Fund Balances-Budget and Actual
System Reference (C.L.S.A.)

THREE

Statement of Revenues, Expenditures
and Changes in Fund Balances-Budget and
Actual; System Communication and
Delivery (C.S.L.A.)

FOUR

Statement of Revenues, Expenditures
and Changes in Fund Balances-Budget and
Actual; System Advisory Board (C.S.L.A.)

FIVE

NORTH STATE COOPERATIVE LIBRARY SYSTEM
TABLE OF CONTENTS
JUNE 30, 2008

	<u>STATEMENTS</u>
Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual; System ILL-Listen In (Reimb)	SIX
Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual; Children Service Programs (Local)	SEVEN
Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual; ILL-Access (Local)	EIGHT
Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual; Systems Administration and Video Center(Local)	NINE
Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual; Nor Cal Video Link(LSTA)	TEN
Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual; Young Adult Services (Misc. Revenues)	ELEVEN
Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual; Retiree's Health Insurance Fund	TWELVE
Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual; Rural Library Initiative (LSTA)-Year Nine	THIRTEEN
Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual; Rural Library Initiative (LSTA)-Year Ten	FOURTEEN
Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual; Tribal Library Training, Northern California (LSTA)	FIFTEEN
	<u>SCHEDULES</u>
Recap of Budget Changes, for the year Ended June 30, 2008	ONE

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CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Council of Librarians
North State Cooperative Library System
Willows, California

I have audited the accompanying basic financial statements of the North State Cooperative Library System(the System)as of June 30, 2008 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the System management. My responsibility is to express an opinion on these financial statements based on my audit.

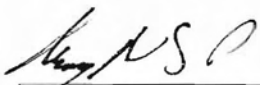
I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The System has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In my opinion, the aforementioned financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2008, and the results of its operations and changes in fund balances for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information, listed as supporting statements and schedules in the Table of Contents, is presented for the purpose of additional analysis and are not a required part of the financial statements of the City. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 17, 2008

A handwritten signature in dark ink, appearing to read 'Roy R. Seiler', is written over a horizontal line.

Roy R. Seiler, CPA

NORTH STATE COOPERATIVE LIBRARY SYSTEM
STATEMENT OF NET ASSETS
JUNE 30, 2008

	TOTALS
ASSETS	
Cash and Cash Equivalents	551,011
Intergovernmental Receivables	13,828
Other Receivables	865
Capital Assets, Net of Accumulated Depreciation	15,758
	<hr/>
TOTAL ASSETS	581,462
	<hr/> <hr/>
LIABILITIES AND NET ASSETS	
Accounts Payable	27,758
Compensated Absences, Estimated-within one year	0
Compensated Absences, Estimated-beyond one year	0
	<hr/>
TOTAL LIABILITIES	27,758
	<hr/>
Net Assets:	
Invested in Capital Assets	15,758
Unreserved	537,946
	<hr/>
TOTAL NET ASSETS	553,704
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	581,462
	<hr/> <hr/>

The notes to financial statements are an integral part of this statement.

Reconciliation of the Balance Sheet
Of Governmental Funds to the
Statement of Net Assets
June 30, 2008

Total Fund Balance-Total Governmental Funds	537,946
Amounts Reported For Governmental Activities in the Statement of Net Assets Are Different Because:	

Capital Assets of \$88,013, Net of Accumulated Depreciation of \$61,352 Are Not Financial Resources and, Therefore, Are Not Reported in the Funds	15,758
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Net Assets of Governmental Activities	<u>553,704</u> =====
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The notes to financial statements are an integral part of this statement.

NORTH STATE COOPERATIVE LIBRARY SYSTEM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

EXHIBIT TWO

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Operating and Grant Revenues</u>	<u>Other Related Revenues</u>	
CLSA	(255,514)	207,691		(47,823)
LSTA	(196,797)	231,440		34,643
Other Library System Related	(195,139)	5,098		(190,041)
Total Governmental Activities	(647,450)	444,229	0	(203,221)
		General Revenues:		
		Intergovernmental Revenues		54,211
		Investment Income		20,777
		Other Items		55,884
		Transfers In		252,005
		Transfers Out		(252,005)
		Total General Revenues and Transfers		130,872
		Change in Net Assets		(72,349)
		Net Assets, Beginning		626,053
		Net Assets, Ending		553,704
				=====

The notes to financial statements are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to
The Statement of Activities
For The Year Ended June 30, 2008

Amounts Reported For Governmental Activities in the
Statement of Activities Are Different Because:

Net Change in Fund Balances: Total Governmental Funds	(61,446)
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Governmental Funds reported (Major) Capital Outlay as Expenditures	0
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In the Statement of Activities, the Cost of Capital Assets is Allocated Over Their Estimated Useful Lives as Depreciation Expense	(7,857)
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Disposal of Capital Assets, Net of Related Depreciation	(3,046)
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Change in Net Assets of Governmental Activities	<u>(72,349)</u> =====
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The notes to financial statements are an integral part of this statement.