

**NORTH BAY COOPERATIVE LIBRARY SYSTEM
FINANCIAL STATEMENTS**

June 30, 2001

**NORTH BAY COOPERATIVE LIBRARY SYSTEM
FINANCIAL STATEMENTS**

June 30, 2001

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Larry D. Johnson

Certified Public Accountant

Board Members
North Bay Cooperative Library System
Santa Rosa, CA

I have audited the accompanying general purpose financial statements of the North Bay Cooperative Library System as of and for the year then ended June 30, 2001, listed in the financial section of the foregoing table of contents. These financial statements and the supplemental information discussed below are the responsibility of the Library's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the 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.

In my opinion, the combined general purpose financial statements referred to above present fairly, in all material respects, the financial position of the North Bay Cooperative Library System at June 30, 2000, and the results of its operation of the Library for the year then ended, in conformity with generally accepted accounting principles.

My audit was made for the purpose of forming an opinion on the combined general purpose financial statements taken as a whole. The combining, individual fund, and the supplemental schedule listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the combined financial statements of the North Bay Cooperative Library System. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in my opinion, is fairly stated in all material respects in relation to the combined financial statements as a whole.

In accordance with *Government Auditing Standards*, I have also issued a report on compliance with laws and regulations and internal controls, as well as a report on State Compliance, both of which are dated October 22, 2001.


Larry D. Johnson
Certified Public Accountant

October 22, 2001
Santa Rosa, CA

NORTH BAY COOPERATIVE LIBRARY SYSTEM
Combined Balance Sheet - All Fund Types & Account Groups
June 30, 2001

	Governmental Fund Type	Fiduciary Fund Types Expendable Trusts	Account Groups	Total Memorandum Only	
	General Fund		General Fixed Assets	General Long Term Debt	6/30/2001 6/30/2000
ASSETS:					
Cash in County Treasury	\$ 532,600	\$ 278,960	\$ -	\$ -	\$ 811,560 \$ 615,568
Cash - Other	50	-	-	-	50 50
Receivable-Grants	-	100,178	-	-	100,178 78,057
Receivable-Other	2,759	-	-	-	2,759 20,679
Equipment	-	-	126,108	-	126,108 138,502
Amount to be Provided for the Payment of General Long Term Debt	-	-	-	22,710	22,710 20,896
TOTAL ASSETS	\$ 535,409	\$ 379,138	\$ 126,108	\$ 22,710	\$ 1,063,365 \$ 873,752
LIABILITIES & FUND BALANCES					
Liabilities:					
Deferred Revenue	\$ -	\$ 303,202	\$ -	\$ -	\$ 303,202 \$ 192,811
Accounts Payable	14,046	-	-	-	14,046 13,491
Compensated Absences	-	-	-	22,710	22,710 20,896
TOTAL LIABILITIES	14,046	303,202	-	22,710	339,958 227,198
Fund Equity:					
Investment in General Fixed Assets	-	-	126,108	-	126,108 138,502
Fund Balances:					
Reserve for Future Claims	-	68,749	-	-	68,749 68,586
Reserve for Equipment Replacement	-	7,187	-	-	7,187 24,864
Reserve for Encumbrances	32,765	-	-	-	32,765 731
Reserve for Future Commitments	377,838	-	-	-	377,838 377,838
Reserve for Future Retiree Benefits	150,000	-	-	-	150,000 150,000
Unreserved: Undesignated (Deficit)	(39,240)	-	-	-	(39,240) (113,967)
Total Fund Balances	521,363	75,936	126,108	-	723,407 646,554
TOTAL LIABILITIES & FUND BALANCES	\$ 535,409	\$ 379,138	\$ 126,108	\$ 22,710	\$ 1,063,365 \$ 873,752

The accompanying notes are an integral part of the financial statements

NORTH BAY COOPERATIVE LIBRARY SYSTEM
Combined Statement of Revenues, Expenditures and
Changes in Unreserved Fund Balances - Governmental Fund Types and Expendable Trusts
For The Years Ended June 30, 2001 and June 30, 2000

	Governmental Fund Types General Fund	Expendable Trusts	Totals (Memorandum Only)	
			6/30/2001	6/30/2000
REVENUES				
Revenue from Federal Sources	\$ 426	\$ -	\$ 426	\$ 58,434
Revenue from State Sources	398,607	174,715	573,322	477,541
Local Revenue:				
User Charges	112,752	-	112,752	76,648
Membership Fees	75,704	-	75,704	57,125
Reimbursement/Donations	377,455	-	377,455	122,441
Other Local Sources	11,253	(15,227)	(3,974)	4,930
Interest	34,644	4,803	39,447	41,224
Total Revenues	<u>1,010,841</u>	<u>164,291</u>	<u>1,175,132</u>	<u>838,343</u>
EXPENDITURES				
Salaries & Benefits	330,819	-	330,819	326,268
Operating Expenses	572,618	163,347	735,965	617,420
Equipment Purchases	643	7,963	8,606	50,496
Total Expenditures	<u>904,080</u>	<u>171,310</u>	<u>1,075,390</u>	<u>994,184</u>
Excess of Revenues Over Expenditures (Deficit)	106,761	(7,019)	99,742	(155,841)
Other Financing Sources (Uses):				
Transfers In (Out)	-	-	-	-
Total Other Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures & Other Financing Sources	106,761	(7,019)	99,742	(155,841)
Unreserved Fund Balance, Beginning of Year	(113,967)	-	(113,967)	29,514
Changes in Reserves	(32,034)	7,019	(25,015)	12,360
Unreserved Fund Balance, End of Year (Deficit)	<u>\$ (39,240)</u>	<u>\$ -</u>	<u>\$ (39,240)</u>	<u>\$ (113,967)</u>

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

NORTH BAY COOPERATIVE LIBRARY SYSTEM
Combined Statement of Revenues, Expenditures & Encumbrances and
Changes in Unreserved Fund Balances
Budget and Actual - General Fund
For The Year Ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES			
Revenue form Federal Sources:			
LSTA (other)	\$ 426	\$ 426	\$ -
Revenue form State Sources:			
CLSA - (Ref)	136,667	136,667	-
CLSA - (Sab)	1,264	1,264	-
CLSA - (Reimb)	5,600	8,641	3,041
CLSA - (Data Base)	7,700	7,900	200
CLSA - (Comm)	90,800	90,800	-
LCA	125	144	19
State-GGLN	148,902	153,190	4,288
Revenue From Local Sources		-	-
User Charges	141,571	112,752	(28,819)
Membership Fees	73,859	75,704	1,845
Reimbursement/Donations	338,694	377,435	38,741
Other Local Sources	2,268	11,255	8,987
Interest	42,814	34,644	(8,170)
Total Revenues	<u>990,690</u>	<u>1,010,822</u>	<u>20,132</u>
EXPENDITURES & ENCUMBRANCES			
Salaries & Benefits	334,331	330,799	(3,532)
Operating Expenses	693,176	604,653	(88,523)
Equipment Purchases	-	643	643
Total Expenditures	<u>1,027,507</u>	<u>936,095</u>	<u>91,412</u>
Excess of Revenues Over (Under) Expenditures & Encumbrances	(36,817)	74,727	111,544
Other Financing Sources (Uses): Transfers In (Out)	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Sources	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures, Encumbrances and Other Financing Uses	<u>\$ (36,817)</u>	74,727	<u>\$ 111,544</u>
Unreserved Fund Balance, Beginning of Year		<u>(113,967)</u>	
Unreserved Fund Balance, End of Year (Deficit)		<u>\$ (39,240)</u>	

The accompanying notes are an integral part of the financial statements

**NORTH BAY COOPERATIVE LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

June 30, 2001

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—The Cooperative was formed under the Joint Powers section of the California Governmental Code and is, therefore, considered a political subdivision that is exempt from income taxes.

The Accounting Policies—The Cooperative's accounting policies conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

A. FUND ACCOUNTING

The accounts of the J.P.A. are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, as appropriate. J.P.A. resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The J.P.A. accounts are organized into four broad categories that, in aggregate, include three funds types and one account group, as follows:

Governmental Funds:

General Fund—The General Fund is the general operating fund of the system. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Funds:

Trust and Agency Funds—Trust and Agency Funds are used to account for assets held by the North Bay Cooperative Library System in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Expendable Trust Funds are accounted for in essentially the same manner as governmental funds.

Account Groups:

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources." Thus, the fixed assets and long-term liabilities associated with Governmental Funds are accounted for in the Account Groups of the District.

General Long-term Debt Account Group—Accounts for long-term liabilities expected to be financed from Governmental Funds. The Cooperative's only long-term debt is compensated absences.

General Fixed Assets Account Group—The acquisition of fixed assets is recorded as an expenditure when payment is made. Such assets are capitalized in a separate fund or separate account. Assets are recorded at cost or, for donated assets, at fair market value at the time of receipt.

B. BASIS OF ACCOUNTING

Basis of accounting refers to revenues and expenditures or expenses being recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

**NORTH BAY COOPERATIVE LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

June 30, 2001

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF ACCOUNTING (continued)

Government Funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures for the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered).

Trust assets and liabilities also are accounted for on the modified accrual basis.

C. BUDGETARY PRINCIPLES

The Board of Directors adopts the budget by passage of a resolution prior to July 1. The Director is authorized to transfer budgeted amounts within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the Board of Directors.

D. ENCUMBRANCES

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed as an extension of formal budgetary integration in all funds.

The financial statements, in which comparisons between budget and actual are made, present encumbrances as expenditures. In all other statements, encumbrances are presented in accordance with generally accepted accounting principles.

E. FUND BALANCE RESERVES

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. These amounts are not available for appropriation and expenditure at the balance sheet date.

F. MEMORANDUM TOTALS

In the Combined Statements, the column captioned "Total—Memorandum Only" represents the aggregate of the columnar statements by fund type and account groups. The column does not present consolidated financial information.

NOTE 2—FIXED ASSETS

Changes in the Fixed Asset Account Group are set forth below:

Balance at July 1, 2000	\$ 138,502
Additions for the Year Ended June 30, 2001	8,606
Retirements at Cost	<u>(21,000)</u>
Balance at June 30, 2001	<u>\$ 126,108</u>

Detail of Fixed Assets is as follows:

Vehicles	\$ -0-
Furnishings and Equipment	<u>126,108</u>
	<u>\$ 126,108</u>

Assets are recorded at cost or, for donated assets, at fair market value at the time of receipt.

**NORTH BAY COOPERATIVE LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

June 30, 2001

NOTE 3—ACCUMULATED VACATION AND SICK LEAVE

Accumulated sick leave benefits may convert to cash or compensatory time to a maximum of three days. Terminated employees may receive payment of the monetary equivalent of 25% of unused sick leave. For the fiscal year ended June 30, 2001, 25% of the total amount of sick leave is \$4,205.

Accumulated vacation benefits can be accrued by no more than 240 hours per employee. Terminated employees are entitled to full payment of unused vacation. A vacation buy-back may be requested in some cases to reimburse current employees for unused time. The total liability of unused vacation pay for the fiscal year ended June 30, 2001 is \$18,505.

Both liabilities are recorded as compensated absences in the general long-term debt account group.

NOTE 4—CASH IN COUNTY TREASURY

The County's pooled cash and investments are invested pursuant to investment policy guidelines established by the County Treasurer. The objectives of this policy are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses the soundness of financial institutions in which the County will deposit funds, types of investment instruments as permitted by the California Government Code, and the percentage of the portfolio that may be invested in certain instruments with longer terms of maturity.

A detailed breakdown of cash and investments, along with a categorization of risk factors involved, can be reviewed in the County of Sonoma Independent Audit Report.

NOTE 5—BUDGETARY DATA

A reconciliation of results of "actual" operations on a Budget basis is reconciled to the results of operations on a GAAP basis as follows:

	<u>General Fund</u>
Excess of revenues and other sources over expenditures, encumbrances, and other uses—Budget basis	\$ 74,727
Increase (decrease) in current year's encumbrances	<u>32,034</u>
Excess (deficiency) of revenues and other resources over (under) expenditures and other uses—GAAP basis	<u>\$ 106,761</u>

NOTE 6—OPERATING LEASES

The Library is leasing a Minolta copier with a minimum lease payment based upon 10,000 copies at 4.20 cents per copy. Additional copies cost 3.40 cents.

The Library has also entered into a building lease agreement beginning in July of 1999 and ending in August of 2002, for a period of 36 months.

**NORTH BAY COOPERATIVE LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

June 30, 2001

NOTE 6—OPERATING LEASES (continued)

Future minimum lease payments are as follows:

	<u>Copier</u>	<u>Building Rental</u>	<u>Total</u>
7/1/00–6/30/01	\$ 5,042	\$ 19,512	\$ 24,554
7/1/01–6/30/02	5,042	3,268	8,310
7/1/02–6/30/03	5,042	-0-	5,042
7/1/03–6/30/04	420	-0-	420
7/1/04–6/30/05	0	-0-	0
	<u>\$ 15,546</u>	<u>\$ 22,780</u>	<u>\$ 38,326</u>

NOTE 7—EMPLOYEES' RETIREMENT PLAN

Plan Description—The Library contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participation public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from its Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy—Participants are required to contribute 7.0% of their annual covered salary. The Library makes the contributions required of Library employees on their behalf and for their account. The Library is required to contribute at an actuarially determined rate; the current rate is 0% of annual covered payroll. The contributions requirements of the plan members and the Library are established and may be amended by PERS.

Annual Pension Cost—For 2001, the Library's annual pension cost of \$-0- for PERS was equal to the Library's required and actual contributions. The required contribution was determined as part of the June 30, 1997, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.5% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 4.5%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

THREE YEAR TREND INFORMATION FOR PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/99	\$ 9,686	100	\$ -0-
6/30/00	-0-	100	-0-
6/30/01	-0-	100	-0-

The Library is "superfunded" as determined by PERS; therefore, no employer contributions were necessary for the year ended June 30, 2001 or June 30, 2000.

**NORTH BAY COOPERATIVE LIBRARY SYSTEM
NOTES TO FINANCIAL STATEMENTS**

June 30, 2001

NOTE 7—EMPLOYEES' RETIREMENT PLAN (continued)

Funded Status of the Plan

The table below displays a short history of the Entry Age Normal Accrued Liability, the Actuarial Value of Assets, the Unfunded Liability or (Excess Assets), Funded Status (i.e., the ratio of the Actuarial Value of Assets to Entry Age Normal Accrued Liability), the estimated Annual Covered Payroll, and the Unfunded Actuarial Accrued Liability (UAAL) as a percentage of that covered payroll. For those plans that include first or second level 1959 survivor benefit, the liabilities and assets below include the assets and liabilities for current beneficiaries of the 1959 survivor benefit program. For all other plans, the assets and liabilities below are without regard to the 1959 Survivor Benefit program.

Funded Status of the Plan

Valuation Date	Entry Age Normal Accrued Liability	Actuarial Value of Assets	Unfunded Liability Excess Assets	Funded Status	Annual Covered Payroll	UAAL as a % of Payroll
6/30/96	\$ 883,138	\$ 970,695	\$ (87,557)	109.9%	\$ 179,203	(48.859%)
6/30/97	923,024	1,103,378	(180,354)	119.5%	230,610	(78.207%)
6/30/98	991,237	1,303,553	(312,316)	131.5%	249,929	(124.962%)
6/30/99	1,049,087	1,461,469	(412,382)	139.3%	234,710	(175.699%)
6/30/00	1,071,576	1,650,358	(578,782)	154.0%	274,844	(210.586%)

Information for the year ended June 30, 2001 has not yet been provided.

Supplemental Information

NORTH BAY COOPERATIVE LIBRARY SYSTEM
Combining Balance Sheet - Expendable Trust Funds
June 30, 2001

	Employee Benefit Fund	Equipment Replacement Fund	TBR Trust Fund	Member Library Trust Fund	Total
ASSETS:					
Cash in County Treasury	\$ 68,749	\$ 7,187	\$ 129,785	\$ 73,239	\$ 278,960
Receivable-Grants	-	-	100,178	-	100,178
TOTAL ASSETS	<u>\$ 68,749</u>	<u>\$ 7,187</u>	<u>\$ 229,963</u>	<u>\$ 73,239</u>	<u>\$ 379,138</u>
LIABILITIES & FUND BALANCES					
Liabilities:					
Deferred Revenue	\$ -	\$ -	\$ 229,963	\$ 73,239	\$ 303,202
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 229,963</u>	<u>\$ 73,239</u>	<u>\$ 303,202</u>
Fund Balances:					
Reserve for Future Claims	68,749	-	-	-	68,749
Reserve for Equipment Replacement	-	7,187	-	-	7,187
Total Fund Balances	<u>68,749</u>	<u>7,187</u>	<u>-</u>	<u>-</u>	<u>75,936</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$ 68,749</u>	<u>\$ 7,187</u>	<u>\$ 229,963</u>	<u>\$ 73,239</u>	<u>\$ 379,138</u>

NORTH BAY COOPERATIVE LIBRARY SYSTEM
Combining Statement of Revenues, Expenditures and
Changes in Unreserved Fund Balances - and Expendable Trust Funds
For The Year Ended June 30, 2001

	Employee Benefit Fund	Equipment Replacement Fund	TBR Trust Fund	Member Library Trust Fund	Total
REVENUES					
Interest Income	\$ 4,022	\$ 781	\$ -	\$ -	\$ 4,803
Revenue from State Sources	-	-	174,715	-	174,715
Other Revenues	2,637	-	(17,864)	-	(15,227)
Total Revenues	<u>6,659</u>	<u>781</u>	<u>156,851</u>	<u>-</u>	<u>164,291</u>
EXPENDITURES					
Equipment Purchases	-	7,963	-	-	7,963
Operating Expenses	6,496	-	156,851	-	163,347
Total Expenditures	<u>6,496</u>	<u>7,963</u>	<u>156,851</u>	<u>-</u>	<u>171,310</u>
Excess of Revenues Over Expenditures	163	(7,182)	-	-	(7,019)
Other Financing Sources (Uses):					
Transfers In (Out)	-	-	-	-	-
Total Other Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over Expenditures & Other Financing Sources	163	(7,182)	-	-	(7,019)
Unreserved Fund Balance, Beginning of Year	-	-	-	-	-
Changes in Reserves	(163)	7,182	-	-	7,019
Unreserved Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NORTH BAY COOPERATIVE LIBRARY SYSTEM
Detailed Statement of Expenditures & Encumbrances - General Fund
For The Year Ended June 30, 2001

	Budget	Expenditures and Encumbrances	Favorable (Unfavorable)
Salaries	\$ 295,674	\$ 294,464	\$ 1,210
Employee Benefits	38,657	36,335	2,322
	<u>334,331</u>	<u>330,799</u>	<u>3,532</u>
Communications	1,488	1,510	(22)
Telephone Service Charges	18,489	17,197	1,292
Janitorial Services	3,190	3,190	-
Insurance	3,184	3,024	160
Maintenance - Equipment	592	591	1
Memberships	260	80	180
Office Expense	5,000	3,843	1,157
Postage	2,639	2,755	(116)
Books/Periodicals	3,726	2,913	813
Supplies/Expenses	211,115	198,177	12,938
Professional/Special	388,950	319,858	69,092
Data Processing Services	2,200	2,369	(169)
Data Processing Assessment Program	575	319	256
County Services	4,460	4,460	-
Public / Legal Notices	8,587	6,934	1,653
Rents / Leases - Bldgs / Improvements	19,035	18,940	95
Professional/Admin/Mgmt	2,550	1,550	1,000
Training-in-Service	250	250	-
Travel Expenses	6,095	6,718	(623)
Private Car Expense	6,852	6,185	667
Utilities	3,939	3,790	149
	<u>693,176</u>	<u>604,653</u>	<u>88,523</u>
Equipment Purchases	-	643	(643)
	<u>-</u>	<u>-</u>	<u>-</u>
SubTotal	<u>1,027,507</u>	<u>936,095</u>	<u>91,412</u>
Transfers	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Grand Total	<u>\$ 1,027,507</u>	<u>\$ 936,095</u>	<u>\$ 91,412</u>

Larry D. Johnson

Certified Public Accountant

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board Members
North Bay Cooperative Library System
Santa Rosa, CA

I have audited the financial statements of the North Bay Cooperative Library System as of and for the fiscal year ended June 30, 2001, and have issued my report thereon, dated October 24, 2001. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the North Bay Cooperative Library System financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws and regulations, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audits, I considered the internal control over the North Bay Cooperative Library System financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited might occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the board and management. However, this report is a matter of public record and its distribution is not limited.



Larry D. Johnson
Certified Public Accountant

October 24, 2001
Santa Rosa, CA

Larry D. Johnson

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Board Members
North Bay Cooperative Library System
Santa Rosa, CA

I have audited the financial statements of the North Bay Cooperative Library System as of June 30, 2001, and have issued my report thereon dated October 24, 2001. My audit was made in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 North Bay Cooperative Library System's management is responsible for compliance with laws and regulations. In connection with the audit referred to above, I selected and tested transactions and records to determine the Library's compliance with the laws and regulations of the following state program:

California State Library

Based on my audit, I found that, for the items tested, the North Bay Cooperative Library System complied with the laws and regulations of the state program referred to above. Further, based on my audit, for items not tested, nothing came to my attention to indicate that the North Bay Cooperative Library System had not complied with the laws and regulations of the state program and its requirements.


Larry D. Johnson
Certified Public Accountant

October 24, 2001
Santa Rosa, CA

