

MONTEREY BAY AREA COOPERATIVE  
LIBRARY SYSTEM  
BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
JUNE 30, 2008

*See page 10*

**Monterey Bay Area Cooperative Library System**  
**Basic Financial Statements**  
**For the year ended June 30, 2008**

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j. Review all invoices and forward all approved invoices to the fiscal agent for payment:

VIII

THE FISCAL AGENT

The City of Salinas shall act as the Fiscal Agent. The Fiscal Agent shall be empowered to do the following:

- a. Execute contracts for state and federal funds as authorized by the Executive Committee;
- b. Accept the funds from the State Librarian (State Department of Education) as provided for in this contract;
- c. Purchase or contract for the services and supplies approved by the Executive Committee;
- d. Disburse the monies of the grant subject to the approval of the Executive Committee;
- e. Maintain financial records and prepare for the system financial reports required by the Executive Committee and/or the State Librarian.
- f. Financial limitations: In no event shall the Executive Committee or fiscal agent incur any indebtedness or liabilities exceeding in any year the income and revenue for that year.

IX

PLAN OF SERVICE

The Executive Committee shall review and adopt the Plan of Service. The Plan of Service, after approval by the Executive Committee, shall be adopted by the legislature of each member agency before said system shall be operational.

The plan of Service shall describe the specific purposes for which the system is formed and the means by which such purposes are to be accomplished. In addition to providing for meeting all requirements of State Law to qualify for grants, the Plan of Service shall include provision for (1) uniformity and/or centralization of technical services (including ordering of books, cataloging and indexing, processing of books, transportation and distribution of books), and (2) local autonomy (on book selection, circulation, research and reference, and intercommunity relationships).

X

BUDGET AND RECORDS

The budget for the system shall be for a fiscal year commencing July 1 of each year and shall be approved by the Executive Committee on or before April 1, prior to the beginning of the said fiscal year. Exception may be made for the first budget year, since the state has established the month of September as the deadline filing date for applications for funds and anticipates announcement of approvals in January.

The budget for the system shall be sufficient in detail to outline the functions or activities to be performed by the parties and the basis for said functions or activities.

## Monterey Bay Area Cooperative Library System

The budget shall also show the sources of revenue from State and Federal grants and from member libraries. The budget shall not be considered finally adopted until all contracting public agencies have had an opportunity to approve or disapprove the budget including the revenue to finance the obligation of said budget, if a member agency so desires.

Each party to this contract shall keep such records as are agreed upon by the Executive Committee.

## XI

## PAYMENT

It is hereby agreed that each party to this agreement shall be compensated for his costs for services provided pursuant to the budget. Costs shall be estimated in accordance with Section X above and Section XI. The estimate shall be used to determine the total costs recoverable by each party from the system. Where more than one party performs the same service, the lowest estimate of cost shall be used for reimbursing all parties performing the service. Cost estimated shall be submitted in detail for review and approval by the Executive Committee and included in the budget.

## XII

## GENERAL CONDITIONS

Each party to this agreement shall retain control of its own library, operate with its own budget, staff, bookstock, branches and stations. The term "books" in this agreement refers to all items in the library collections regardless of format, such as periodicals, serials, newspapers, pamphlets, government documents, maps, tapes, discs, films, pictures. Nothing in this agreement shall conflict with the provision in the Plan of Service that loans shall remain within the procedural framework of the lending library. None of these library agencies need lend a book or other library materials for home reading to a nonresident or through inter-library loan that does not circulate to residents.

## XIII

## ADDITIONAL PARTIES

Any agency providing library service may become a member of the system upon ratification of this contract and Plan of Service and with the approval of the Executive Committee. The addition of any party or parties to this agreement, in the manner described above, need not be ratified or approved by the existing parties to this agreement. Nothing in this paragraph shall prevent the Executive Committee from establishing special terms and conditions for libraries desiring to become members of the system.

## XIV

## WITHDRAWAL

Any party hereto, except the Fiscal Agent, may withdraw from the system by resolution of its governing body. Such withdrawal shall be made prior to April 1 of any year, and shall be effective as of July of the year withdrawal is made. The Fiscal Agent may withdraw from the system by resolution of its governing body. The notice of such withdrawal shall be made at least

member at least seventy-two (72) hours before the time of such meeting. The call and notice shall specify the time and place of the meeting and the business to be transacted.

The Executive Committee shall cause its Secretary to keep full and complete minutes of all meetings which shall be public documents and available for inspection at the office of the Secretary at all times.

No business may be transacted without the quorum of the members of the Executive Committee being present. A quorum shall consist of a majority of the members, and a vote of a majority of the Executive Committee shall be required to transact business. The Executive Committee shall adopt appropriate rules, not inconsistent herewith, for the orderly transaction of its business.

#### VI

##### EXECUTIVE COMMITTEE EMPLOYEES

In the name of the Monterey Bay Area Cooperative Library System, the Executive Committee shall have power to employ and engage and appoint person or persons as may be deemed necessary in carrying out the operations of the Cooperative Library System. Person or persons so engaged shall receive such compensation as may be fixed by the Executive Committee. None of the employees mentioned in this paragraph shall be deemed, by reason of their employment by the Executive Committee, to be employed by any of the contracting public agencies. Employees of any of the contracting public agencies may not be compensated or receive any reimbursement for expenses from the system without the consent of the governing body of the contracting agency.

#### VII

##### POWERS OF THE EXECUTIVE COMMITTEE

The Executive Committee shall have the following powers:

- a. Review the Plan of Service and after approval, refer it to the governing bodies of the member libraries;
- b. Review and adopt the budget for implementing the Plan of Service;
- c. With prior authorization from the governing bodies of the member libraries make application for such funds which may be available from the State of California (Public Library Services Act) and from the federal Library Services and Construction Act, or from any other available sources;
- d. Develop policies for allocating reimbursement to member libraries;
- e. Adopt rules and procedures to assure compliance with the Plan of Service and the improvement of the library services for the system;
- f. Make or cause to be made continuing studies for improvement of library services by the system;
- g. Designate subcommittees and determine their composition as needed to carry forth the business of the system; appoint members of these subcommittees;
- h. Administer the Plan of Service of the System, assuring that funds are expended in accordance with the budget approved for implementing the Plan of Service;
- i. Approve the encumbrance of any funds and authorize the fiscal agent to contract for or purchase said services provided for in the budget;

JOINT EXERCISE OF POWERS AGREEMENT  
 MONTEREY BAY AREA COOPERATIVE LIBRARY SYSTEM  
 \*\*\*\*\*

WHEREAS, The following public agencies: THE CITY OF SALINAS, the COUNTY OF MONTEREY, the CITY OF PACIFIC GROVE, the CITY OF CARMEL, and the CITY OF MONTEREY, all of the State of California, and each of them, maintain and operate as a division of an agency of local government, a Public Library; and

WHEREAS, each of the public agencies provides the necessary public fund for the operation of the public libraries; and

WHEREAS, each of the public agencies has the power to approve the expenditure of funds on the part of the public library for the procuring of library materials, equipment, operating expenses and personnel to be made available to persons utilizing the public library facilities; and

WHEREAS, it has been found and determined that the Information Service Center in which the respective public library of each of the public agencies participate under a federal grant and was found to greatly enrich the services with a more extensive supply of library materials, thereby providing the additional benefit to all persons using the respective library facilities as the same are maintained by each of the public agencies; and

WHEREAS, The State of California has enacted the Public Library Services Act in order to encourage the development of public libraries throughout the State by grants to public library systems for the purposes of (A) Assisting them in establishing, improving and extending library services; and (B) Encouraging the establishment of library systems in areas where such cooperation would facilitate improved library service and at the same time preserve the benefits of local autonomy, and

WHEREAS, the public agencies are authorized to contract with each other for the joint exercise of any common power under Article 1, Chapter 5, Division 7, Title 1, of the Government Code of the State of California:

NOW, THEREFORE, THE FOLLOWING CONTRACTING public agencies: The CITY OF SALINAS, the COUNTY OF MONTEREY, the CITY OF PACIFIC GROVE, the CITY OF CARMEL, and the CITY OF MONTEREY, and each of them, for and in consideration of the mutual promises and agreements herinafter stated and the performance thereof, and for other valuable and adequate consideration do hereby promise and agree for and on behalf of themselves and successors in interest as follows:

I

PURPOSE OF AGREEMENT, COMMON POWER TO BE EXERCISED

This agreement, made under the provisions of Article 1, Chapter 5, Division 7, Title 1, of the Government Code of the State of California, is for the purpose of providing for the creation and establishment of a Cooperative Library System to be known as the MONTEREY BAY AREA COOPERATIVE LIBRARY SYSTEM.

SECRETARY OF STATE

111 CAPITOL MALL  
SACRAMENTO 95814

No. 696465

MONTEREY BAY AREA COOPERATIVE LIBRARY SYSTEM  
116 W. San Luis Street  
Salinas, Ca 93901 SAB

CORPORATION NO. \_\_\_\_\_

DATE JUN 20 1973

IF STATEMENT INDICATES BALANCE DUE, DETACH THIS PART AND RETURN WITH REMITTANCE

RE: MONTEREY BAY AREA COOPERATIVE LIBRARY SYSTEM (215)		AMOUNT CHARGED	
	Filing articles of incorporation		
	Filing qualification papers, foreign corporation		
\$2.00	Recording		
2.00	Affixing certificate and seal to copy		
1.00	Comparing		
30¢ per page	Making copy		
	Filing certificate re amendment articles of incorporation JPA	5	00
5.00	Filing document supplementing or amending qualification papers, foreign corporation		
	Filing agreement of merger or consolidation and certificates constituent corporations		
5.00	Filing certificates of election to wind and dissolve		
5.00	Filing certificate of final dissolution		
10.00	Filing application to trademark, and/or service mark, and/or renewal		
5.00	Recordation of assignment of trademarks and/or service marks		
5.00	Filing designation of agent		
3.00	Issuing certificate of filing		
3.00	Issuing certificate of good standing		
3.00	Issuing certificate of listings re corporate documents		
5.00	Filing certified copy of decree changing name		
2.00	Certifying to qualification of (officer)		
5.00	Attesting commission		
1.00	Repro S/O		
5.00	Receiving copies of process against corporation		
	Special handling fee		
	Minimum franchise tax prepayment		
	TOTAL CHARGES	5	00
	AMOUNT RECEIVED	5	00
	REFUND		
	BALANCE DUE		

The document to which  
this statement refers was  
filed in this office on  
JUN 20 1973

No. 696465

RE-1

64897-882 7-72 TOM DWP CD 081

0609

SALINAS  
A MUNICIPAL CORPORATION  
SALINAS, CALIFORNIA 93901

OUR ACCOUNT CODES	DESCRIPTION	PURCHASE ORDER	AMOUNT
	Filing Fee for Joint Powers Agreement		5.00
	MOBAC		

(e) Amendments, if any, state brief description:

FILED
JUN 5 1973
EDMUND B. BROWN, JR. Secretary of State

(f) The short title of the agreement, if any, is:


*Charles Atkins*

(Signature)

(Continued)

Charles Atkins, President, MOI

(Type name and title of signatory in this form)

**INSTRUCTIONS:**

1. Mail this form to Secretary of State, 111 Capitol Mall, Sacramento, Calif.
2. Include a remittance payable to "Secretary of State" for filing fee of \$1.
3. If additional copies of this form are sent with the original, the copies file-stamped and returned without additional charge.
4. Do not attach a copy of the Agreement and/or Amendments of the Agreement.

It is the policy of the State of California to provide for the widest possible dissemination of information about its activities and to ensure that the public has access to the records of its government. To this end, the State has created a system of public access to its records. This system was created for the purpose of providing each member of the public with the right to inspect and receive copies of any record held by the State, unless the record is exempt from disclosure under the provisions of the California Public Information Act. The State has also created a system of public access to its records. This system was created for the purpose of providing each member of the public with the right to inspect and receive copies of any record held by the State, unless the record is exempt from disclosure under the provisions of the California Public Information Act.



The Monterey Bay Area Cooperative Library System is created for the purposes of permitting each member agency to provide improved public library services to its residents through cooperative efforts designed to expand the capability of each public library, and in order to obtain the benefits of such a system as provided by law on such terms and conditions as hereinafter follow:

II

FORMATION OF MONTEREY BAY AREA COOPERATIVE LIBRARY SYSTEM

Pursuant to the provisions of the California Education Code, Section 27111 et seq. (Division 20, Chapter 1.5) the parties hereby form the MONTEREY BAY AREA COOPERATIVE LIBRARY SYSTEM, to be known also as the MBAC Library System. Each of the public libraries operated by said parties shall be considered a "member library" of said system. The obligations and conditions that hereinafter follow are contingent upon the plan of library service being adopted by its member agencies.

III

ORGANIZATION

THE EXECUTIVE COMMITTEE

To administer and execute this agreement, there is hereby constituted the MONTEREY BAY AREA COOPERATIVE LIBRARY SYSTEM EXECUTIVE COMMITTEE, hereinafter sometimes referred to as "Executive Committee".

In the name of the Monterey Bay Area Cooperative Library System the Executive Committee may take, acquire, purchase, lease, hold, own, exchange, sell, convey, release and maintain such Monterey Bay Area Cooperative Library System materials, equipment, and personnel as may be deemed to be in the mutual interest of the parties hereto. The Executive Committee shall do all acts necessary for the exercise of the expressed common power and for the purpose specified in Paragraphs I, II and III hereof, subject only to such limitations and restrictions as may be set forth herein.

IV

EXECUTIVE COMMITTEE MEMBERS

The membership of the Executive Committee shall at all times be equal to the number of contracting entities becoming and remaining as a party hereto and consisting of the head librarians of the contracting public agencies. The Executive Committee shall elect one of its members President and he shall preside at all meetings. The term of President shall be one (1) year. The Executive Committee shall also elect a Secretary and a Treasurer. Each and every head librarian shall have the authority to appoint a substitute, with full voting rights, to attend Executive Committee meetings in the librarian's absence.

V

EXECUTIVE COMMITTEE MEETINGS

The Executive Committee shall fix the time and place for its meetings and shall hold at least one annual meeting. A special meeting may be called by the President, or upon written demand by two members of the Executive Committee, by delivering personally or by mail written notice to each Executive Committee

one year prior to the beginning of the fiscal year of withdrawal. If the debts and obligations of the system exceed its assets and anticipated income at the time of withdrawal, withdrawal may be effective only after payment by the withdrawing party of its proportionate share of the net debts and obligations of the system.

XV

TERMINATION OF THE SYSTEM

This Agreement may be terminated by resolution of the governing board of a majority of the parties to this agreement at the time termination is voted. The decision to terminate must be made prior to April 1 of any year and shall become effective only on July 1 of the year termination is voted. Upon termination, any cash assets of the system shall be divided among the parties in a manner recommended by the Executive Committee and approved by the governing body. In the event the Executive Committee or the governing bodies cannot agree upon the division of assets, they shall be divided in proportion to the total funds allocated by parties to the system, and distributed to all such parties who have been members of the system.

IN WITNESS WHEREOF, the parties hereto have executed this agreement the day and year first above written, as the public agencies have caused their names to be affixed hereby by the proper officers thereof as will appear by Resolution of each governing body.

ATTEST:

APPROVED THIS 23rd  
day of September 1968.

APPROVED THIS 10th  
day of September 1968.

APPROVED THIS 23rd  
day of October 1968.

APPROVED THIS 11th  
day of September 1968.

APPROVED THIS 24th  
day of September 1968.

APPROVED THIS \_\_\_\_\_  
day of \_\_\_\_\_ 1968.

THE CITY OF SALINAS, a  
Municipal Corporation

By L. Sed. MacCoy

THE COUNTY OF MONTEREY,  
State of California

By R. C. Woolf

THE CITY OF PACIFIC GROVE,  
A Municipal Corporation

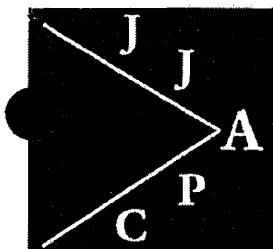
By Earl W. Grotter

THE CITY OF CARMEL, a  
Municipal Corporation

By W. J. G. G. G.

THE CITY OF MONTEREY, a  
Municipal Corporation

By Yvesine H. Coyle



**Joseph J Arch**  
Certified Public Accountant

**INDEPENDENT AUDITOR'S REPORT**

To the Administrative Council of the  
Monterey Bay Area Cooperative Library System  
San Mateo, California

I have audited the accompanying basic financial statements of the Monterey Bay Area Cooperative Library System (System) as of and for the year ended June 30, 2008. These basic financial statements are the responsibility of the System's management. My responsibility is to express an opinion on these basic financial statements based on my audit. The prior year summarized comparative information has been derived from the System's June 30, 2007, financial statements in which an unqualified opinion was expressed on those financial statements.

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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic 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 for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis (MD&A) on pages two to seven and the Budgetary Comparison Schedule on page 22 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

September 22, 2008

  
JOSEPH J ARCH, CPA

**Monterey Bay Area Cooperative Library System**  
**Management's Discussion and Analysis**  
**For the year ended June 30, 2008**

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**Management's Discussion and Analysis**

This section of the Monterey Bay Area Cooperative Library System's (System) basic financial statements presents management's discussion and analysis of the System's financial performance during the fiscal year ended June 30, 2008. 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 the System's basic financial statements (pages 8 and 9) and the footnotes (pages 10 - 18).

**Financial Highlights**

At June 30, 2008, the System's net assets increased to \$220,455 from \$208,124 in 2007, which does not change for either statement presented since the System does not have any capital assets or liabilities of a long-term nature or changes due to the conversion from the modified accrual basis of accounting (fund balance) to the accrual basis of accounting (net assets).

Operating expenses remained relatively the same between years as costs were kept to a minimum through contractual services arrangements. Program revenues increased \$17,156, due to other agency revenue increases during the year for contributions from members for the Technology project. General revenues increased \$1,990, which was the result of an increase to membership fees as compared to the prior year.

**Using This Report**

In December 1998, the Governmental Accounting Standards Board (GASB) released statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which revised the reporting of property tax revenue. In June 1999, 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 System had no major reconciling items, which, typically, are necessary as a result of capital asset transactions. The System has selected the single governmental fund (General Fund) presentation since this reflects the most concise and easily readable presentation for the System's operations.

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

**Monterey Bay Area Cooperative Library System**  
**Management's Discussion and Analysis, Continued**  
**For the year ended June 30, 2008**

**Financial Analysis of the System as a Whole**

	Net Assets		Increase (Decrease)	Percent Change
	2008	2007		
<b>Assets:</b>				
Current assets	\$ 227,110	\$ 214,809	\$ 12,301	5.7%
Non-current assets	-	-	-	0.0%
<b>Total assets</b>	<b>\$ 227,110</b>	<b>\$ 214,809</b>	<b>\$ 12,301</b>	<b>5.7%</b>
<b>Liabilities</b>				
Current liabilities	\$ 6,655	\$ 6,685	\$ (30)	-0.4%
Non-current liabilities	-	-	-	0.0%
<b>Total liabilities</b>	<b>6,655</b>	<b>6,685</b>	<b>(30)</b>	<b>-0.4%</b>
<b>Net assets:</b>				
Investment in capital assets	-	-	-	0.0%
Unrestricted	220,455	208,124	12,331	5.9%
<b>Total net assets</b>	<b>220,455</b>	<b>208,124</b>	<b>12,331</b>	<b>5.9%</b>
<b>Total liabilities and net assets</b>	<b>\$ 227,110</b>	<b>\$ 214,809</b>	<b>\$ 12,301</b>	<b>5.7%</b>

This schedule is prepared from the System's Statement of Net Assets (page 8), which is presented on an accrual basis of accounting whereby assets are capitalized and depreciated.

Net assets at June 30, 2008, increased to \$220,455 from \$208,124 in 2007.

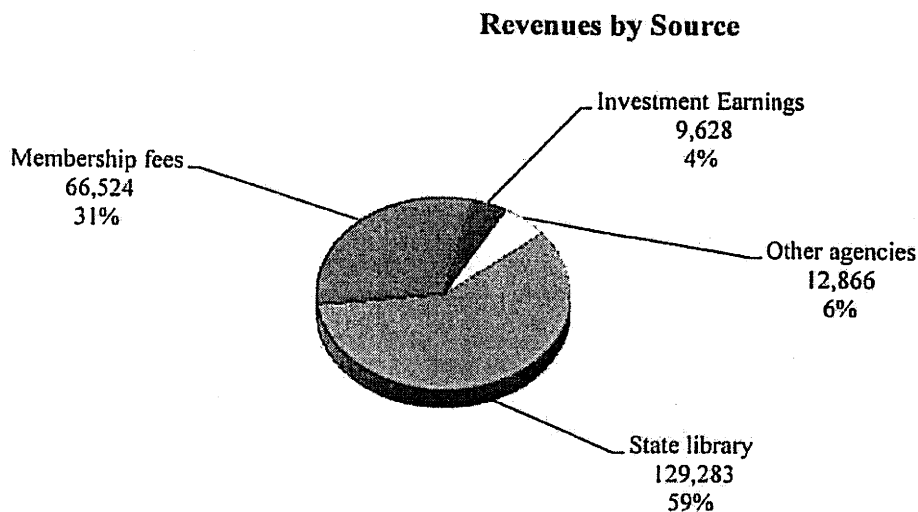
**Monterey Bay Area Cooperative Library System  
Management's Discussion and Analysis, Continued  
For the year ended June 30, 2008**

**Financial Analysis of the System as a Whole, continued**

**Operating Results  
For the years ended June 30, 2008 and 2007**

	2008	2007	Increase (Decrease)	Percent Change
Operating expenses	\$ 205,970	\$ 185,858	\$ 20,112	10.8%
Program revenue:				
State library	129,283	124,993	4,290	3.4%
Other agencies	12,866	-	12,866	100.0%
Total program revenue	142,149	124,993	17,156	13.7%
Net operating expenses	63,821	60,865	2,956	4.9%
General revenue:				
Membership fees	66,524	63,393	3,131	4.9%
Investment earnings	9,628	10,769	(1,141)	-10.6%
Total general revenue	76,152	74,162	1,990	2.7%
Increase in net assets	12,331	13,297	(966)	-7.3%
Net assets:				
Beginning of year	208,124	194,827	13,297	6.8%
End of year	\$ 220,455	\$ 208,124	\$ 12,331	5.9%

As depicted in the graph below, State Library revenue approximated 60% of all revenue sources for the System, which indicates significant changes in this revenue source could result in reductions in service. Past experience has shown amounts to be relatively stable from year to year, but additional economic strain on the State could call for reductions to this revenue source.



**Monterey Bay Area Cooperative Library System**  
**Management's Discussion and Analysis, Continued**  
**For the year ended June 30, 2008**

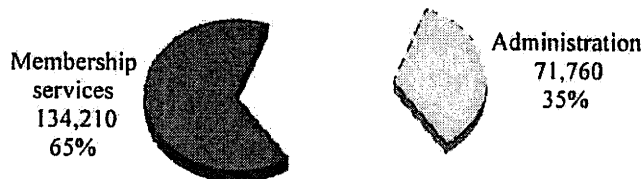
**Financial Analysis of the System as a Whole, continued**

**Operating Expenses**  
**For the years ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Operating expense:</b>				
Administration	\$ 71,760	\$ 51,671	\$ 20,089	38.9%
Membership services	<u>134,210</u>	<u>134,187</u>	<u>23</u>	0.0%
<b>Total</b>	<u>\$ 205,970</u>	<u>\$ 185,858</u>	<u>\$ 20,112</u>	10.8%
<b>Net capital assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	0.0%

As shown in the graph below, membership services dominates operating expenses with over 60% of the total. Overall, operating expenses remain relatively unchanged and within budgeted amounts.

**Operating Expenses**



**Monterey Bay Area Cooperative Library System  
Management's Discussion and Analysis, Continued  
For the year ended June 30, 2008**

**Financial Analysis of the System as a Whole, continued**

**Analysis of Net Assets  
As of June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
<b>Net Assets:</b>				
Net investment in capital assets	\$ -	\$ -	\$ -	0.0%
Unrestricted	<u>220,455</u>	<u>208,124</u>	<u>12,331</u>	5.9%
<b>Total</b>	<u>\$ 220,455</u>	<u>\$ 208,124</u>	<u>\$ 12,331</u>	5.9%

The change in net assets is a \$12,331 increase in unrestricted funds due to reductions to operating expenses and increases to general revenues.

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

In considering the System's Budget for fiscal year 2008-2009, 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 revenue is expected to increase by 2.5% based on the cost of living and membership fees are projected to be the same.

Continuing items specifically addressed in the budget were:

Concern over possible State budget reductions and avoiding further excesses of service costs over revenues.

The adopted budget for the new fiscal year of 2008-2009 was \$223,393 and is summarized as follows:

	<u>FY 2008-09</u>	<u>FY 2007-08</u>	<u>Percentage change</u>
<b>Administration:</b>			
System administration	\$ 71,514	\$ 61,612	16.07%
System advisory board	453	412	9.95%
<b>Membership services:</b>			
System reference	56,229	56,139	0.16%
Communications and delivery	75,000	69,037	8.64%
Technology	<u>20,197</u>	<u>20,085</u>	0.56%
<b>Total budget</b>	<u>\$ 223,393</u>	<u>\$ 207,285</u>	7.77%

**Monterey Bay Area Cooperative Library System  
Management's Discussion and Analysis, Continued  
For the year ended June 30, 2008**

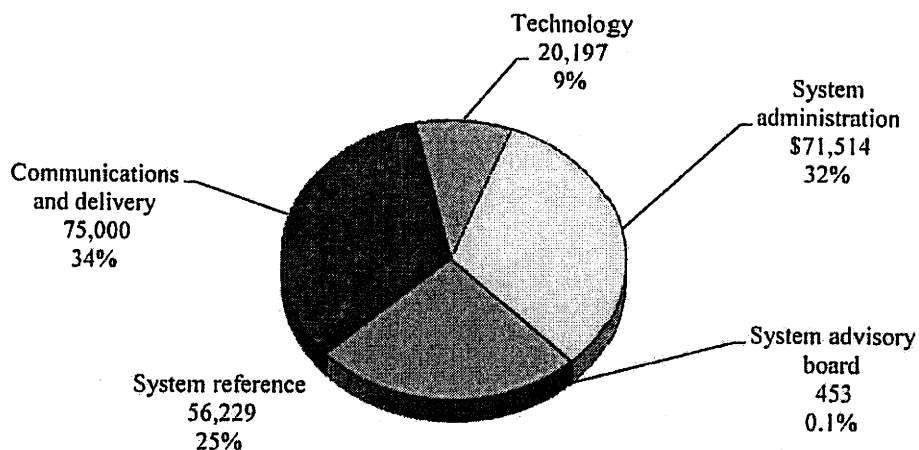
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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - Continued**

1. Administration - Shows a combined increase of approximately 26.02%, which is primarily due to a reallocation of charges from Reference and System administration.
2. Membership services - Shows a combined increase of approximately 9.36%, which is primarily due to an increase in delivery charges.

The following is a graphic illustration of appropriations for 2008-09:

**Budgeted Expenditures**



**Contacting the System**

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

**Monterey Bay Area Cooperative Library System**  
**Governmental Funds Balance Sheet/Statement of Net Assets**  
**June 30, 2008**

(with comparative totals for June 30, 2007)

	General Fund	Adjustments (Note 6)	Statement of Net Assets	2007
<b>ASSETS</b>				
Cash and investments	\$ 225,335	\$ -	\$ 225,335	\$ 211,875
Accounts receivable	-	-	-	120
Interest receivable	1,775	-	1,775	2,814
Capital assets, net of accumulated depreciation	-	-	-	-
<b>Total assets</b>	<u>\$ 227,110</u>	<u>\$ -</u>	<u>\$ 227,110</u>	<u>\$ 214,809</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts and sales tax payable	\$ 6,655	\$ -	\$ 6,655	\$ 6,685
<b>Total liabilities</b>	<u>6,655</u>	<u>-</u>	<u>6,655</u>	<u>6,685</u>
<b>Fund balances/Net assets:</b>				
Designated, reported in:				
General fund	17,351	(17,351)	-	-
Unreserved, reported in:				
General fund	203,104	(203,104)	-	-
<b>Total fund balances</b>	<u>220,455</u>	<u>(220,455)</u>	<u>-</u>	<u>-</u>
<b>Total liabilities and fund balances</b>	<u>\$ 227,110</u>			
<b>NET ASSETS</b>				
Invested in capital assets		-	-	-
Unrestricted		220,455	220,455	208,124
<b>Total net assets</b>		<u>\$ 220,455</u>	<u>220,455</u>	<u>208,124</u>
<b>Total liabilities and net assets</b>			<u>\$ 227,110</u>	<u>\$ 214,809</u>

The accompanying notes are an integral part of these financial statements

**Monterey Bay Area Cooperative Library System**  
**Statement of Governmental Fund Revenues, Expenditures, and**  
**Changes in Fund Balances/Statement of Activities**  
**For the year ended June 30, 2008**  
(with comparative totals for the year ended June 30, 2007)

	General Fund	Adjustments (Note 7)	Statement of Activities	2007
<b>EXPENDITURES/EXPENSES:</b>				
Administration	\$ 71,760	\$ -	\$ 71,760	\$ 51,671
Membership services	134,210	-	134,210	134,187
Depreciation	-	-	-	-
Loss on disposal of fixed assets	-	-	-	-
<b>Total expenditures/expenses</b>	<b>205,970</b>	<b>-</b>	<b>205,970</b>	<b>185,858</b>
<b>REVENUES:</b>				
Program revenues:				
State library	129,283	-	129,283	124,993
Other agencies	12,866	-	12,866	-
<b>Total program revenues</b>	<b>142,149</b>	<b>-</b>	<b>142,149</b>	<b>124,993</b>
<b>Net program expense</b>	<b>63,821</b>	<b>-</b>	<b>63,821</b>	<b>60,865</b>
General revenues:				
Membership fees	66,524	-	66,524	63,393
Investment earnings	9,628	-	9,628	10,769
<b>Total general revenues</b>	<b>76,152</b>	<b>-</b>	<b>76,152</b>	<b>74,162</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>12,331</b>			
<b>CHANGE IN NET ASSETS</b>		<b>-</b>	<b>12,331</b>	<b>13,297</b>
<b>FUND BALANCES/NET ASSETS:</b>				
Beginning of the year	208,124	-	208,124	194,827
End of the year	<b>\$ 220,455</b>	<b>\$ -</b>	<b>\$ 220,455</b>	<b>\$ 208,124</b>

The accompanying notes are an integral part of these financial statements

**Monterey Bay Area Cooperative Library System**  
**Notes to Basic Financial Statements**  
**For the year ended June 30, 2008**

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

The Monterey Bay Area Cooperative Library System (System) is a Joint Exercise of Powers Agency organized on September 10, 1968, comprised of the following members at June 30, 2008:

Public Libraries

- Harrison Memorial Library, Carmel
- Monterey County Free Libraries
- Monterey Public Library
- Pacific Grove Public Library
- Salinas Public Library
- San Benito County Free Library
- San Juan Bautista City Library
- Santa Cruz City/County Library
- Watsonville Public Library

Non-Public Libraries

- Aiso Library, DLI, Presidio of Monterey
- Cabrillo College Library
- California State University, Monterey Bay Library
- Gavilan College
- Hartnell College Library
- Monterey Bay Aquarium Library
- Monterey Bay Aquarium Research Institute Library
- Monterey Institute of International Studies Library
- Monterey Peninsula College Library
- Naval Postgraduate School – Dudley Knox Library
- University of California at Santa Cruz Library

The System delivers library materials to members and provides research services and general education workshops and training seminars for its members.

The System is governed by a Board consisting of representatives from each member entity. 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 the System's governing board. The System is a separate reporting entity for financial reporting purposes and the accompanying basic financial statements reflect the assets, liabilities, fund balances/net assets, revenues, and expenditures/expenses of the System only.

**Monterey Bay Area Cooperative Library System**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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

The financial statements of the System 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 December 1998, the Governmental Accounting Standards Board (GASB) released Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, which revised reporting of property tax revenue. In June 1999, GASB approved Statement No. 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*. The System implemented these changes in the fiscal year ended June 30, 2004. The change in financial statement presentation provides a comprehensive one-line look at the total entity. The only significant change made in order to comply with the new requirements was capitalization of fixed assets and recording of depreciation. The System has selected the single governmental fund (General Fund) presentation since this reflects the most concise and easily readable presentation for the System's operations.

**B. Reporting Entity**

As defined by GASB Statements No. 14 and 39, *The Financial Reporting Entity*, the System 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 the System are such that exclusion would cause the System's financial statements to be misleading or incomplete.

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

**C. Basis of Accounting**

The fund-based financial statement columns (General Fund column) on Pages 8 and 9 are accounted for using the modified accrual basis of accounting. These fund 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 Assets and Activities columns on Pages 8 and 9 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.

**Monterey Bay Area Cooperative Library System**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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

**B. Basis of Accounting, continued**

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.

**C. 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.

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

- By June 30, the Budget and Audit Committee reviews and recommends to the Administrative Council a proposed operating budget 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 an Administrative Council meeting prior to year-end.
- The Budget and Audit Committee approves all budget transfers and revisions which are then approved by the Administrative Council.
- 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 (GAAP).

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

**Monterey Bay Area Cooperative Library System**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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

**D. Cash and Investments**

The System 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.

The System indirectly participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to changes in interest rates.

**E. Investment in Capital Assets**

Capital assets are carried at cost or estimated cost if actual cost was not available. Donated assets are valued at their estimated fair value on the date donated.

Depreciation is calculated on a straight line basis using the following useful life schedule:

Computer equipment – 5 years

**2. CASH AND INVESTMENTS**

The System had the following cash and investments at June 30, 2008:

	<u>FDIC insured</u>	<u>Not rated</u>	<u>Fair Value</u>
Local Agency Investment Fund (LAIF)	\$ -	\$ 217,110	\$ 217,110
Cash deposits - Bank of America	4,110	-	4,110
Cash deposits - Borel Bank	4,015	-	4,015
Petty cash	-	100	100
Total	<u>\$ 8,125</u>	<u>\$ 217,210</u>	<u>\$ 225,335</u>

**A. Cash Deposits**

The System pools cash from all sources. The System invests excess cash in the Local Agency Investment Fund (LAIF), an investment pool, which at June 30, 2008, approximated fair value of \$217,110. Bank balances before reconciling items consisted of \$7,054 and \$4,110 at Borel Bank and Bank of America, respectively. The System maintains a petty cash fund of \$100.

**Monterey Bay Area Cooperative Library System**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**2. CASH AND INVESTMENTS, continued**

**A. Cash Deposits -continued**

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 \$100,000 by the Federal Deposit Insurance Corporation.

**B. Investments**

The System 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).

The System's practice has been to limit investments to LAIF, an unrated pool, which limits the exposure of System 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.

**Monterey Bay Area Cooperative Library System**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**2. CASH AND INVESTMENTS, continued**

**C. Investments in External Investment Pools**

The System's investments with LAIF at June 30, 2008, included a portion of the pool funds invested in structured notes and asset backed securities and similar transactions. These investments may include the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depends on one or more indices and/or that have embedded forwards or options.

Asset-backed Securities, the bulk of which are mortgage-backed securities, entitle their purchaser to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs) or credit card receivables.

As of June 30, 2008, LAIF had invested none of its funds in structured notes and asset-backed securities and similar transactions.

**3. CAPITAL ASSETS**

The System had no capital assets at June 30, 2008.

**4. RELATED PARTY TRANSACTIONS**

The System contracts with the Peninsula Library System (PLS) to share System administration, accounting, reference, and personnel expenditures. Under these arrangements, the System pays PLS one-third of the cost of administrative services performed, excluding PLS-specific costs. During the year ended June 30, 2008, the System paid PLS \$71,167 for administrative, accounting, reference, and personnel services. The expenditure was charged \$58,889 to System Administration (Administration) and \$12,278 to System Reference (Membership Services).

During a meeting in March 2008, the System Governing Board approved a plan on the consolidation of the System with BALIS, PLS and SVLS. The new System would be formed in fiscal year 2009-10 with the specifics regarding the status of the existing Systems and future allocation and administration of resources to be resolved prior to that fiscal year. PLS has received a grant from the State in the amount of \$43,000 to arrange the specifics of the Plan and create the new entity. This is a continuing grant until the new entity is operating.

**5. FUND BALANCES/NET ASSETS**

Fund balance consists of reserved and unreserved amounts. Reserved fund balance represents that portion of a fund balance that has been appropriated for expenditure or is legally segregated for a specific future use. The remaining portion is unreserved and may be designated or undesignated.

**Monterey Bay Area Cooperative Library System**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**5. FUND BALANCES/NET ASSETS, continued**

Designations of fund equity are described as follows:

- *Designated for Communications and Delivery* – represents amounts set aside by the System's Administrative Council to be used for future communications and delivery services.

	<u>General Fund</u>
Designated:	
Communications and delivery	\$ 17,351
Unreserved, undesignated	<u>203,104</u>
<b>Total</b>	<u><u>\$ 220,455</u></u>

Net assets consist of restricted and unrestricted amounts. Restricted amounts reflect balances which cannot be influenced by System Administrative Council action, such as the investment in capital assets net of any related debt. Unrestricted amounts reflect balances available for current operations.

	<u>Net Assets</u>
Invested in capital assets	\$ -
Unrestricted	<u>220,455</u>
<b>Total</b>	<u><u>\$ 220,455</u></u>

Expenditures exceeded appropriations by \$9,694 in the System administration, \$90 in System reference, \$3,448 in the Communications and delivery program and \$42 in the System advisory board program. These excesses were covered by available fund balance and a positive variance in the Technology program of \$14,589.

**Monterey Bay Area Cooperative Library System**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**6. EXPLANATION OF DIFFERENCES BETWEEN THE GENERAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS**

“Total fund balances” of the System’s General fund (\$220,455) does not differ from “net assets” of governmental activities (\$220,455) reported in the Statement of Net Assets on page nine. There were no differences resulting from the long-term economic focus of the statement of net assets versus the current financial resources focus of the General fund balance sheet in the year presented. The illustration below shows no adjustments or differences created:

**Balance Sheet/Statement of Net Assets**

	<u>General Fund</u>	<u>Reclassifications and Eliminations <sup>1</sup></u>	<u>Statement of Net Assets</u>
<b>Assets:</b>			
Cash and investments	\$ 225,335	\$ -	\$ 225,335
Interest receivable	1,775	-	1,775
Capital assets	-	-	-
<b>Total assets</b>	<u>\$ 227,110</u>	<u>\$ -</u>	<u>\$ 227,110</u>
<b>Liabilities:</b>			
Accounts payable	\$ 6,655	\$ -	\$ 6,655
<b>Total liabilities</b>	<u>6,655</u>	<u>-</u>	<u>6,655</u>
<b>Fund Balances/Net Assets:</b>			
Total fund balances/net assets	<u>220,455</u>	<u>-</u>	<u>220,455</u>
<b>Total liabilities and fund balances/net assets</b>	<u>\$ 227,110</u>	<u>\$ -</u>	<u>\$ 227,110</u>

**Monterey Bay Area Cooperative Library System**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

**7. EXPLANATION OF DIFFERENCES BETWEEN GENERAL FUND OPERATING STATEMENTS AND THE STATEMENT OF ACTIVITIES**

The "net change in fund balances" for the General fund (\$12,331) does not differ from the "change in net assets" for governmental activities (\$12,331) reported in the Statement of Activities on page nine. There were no differences arising from the long-term economic focus of the statement of activities versus the current financial resources focus of the General fund. The illustration below shows no adjustments or differences created:

**Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities**

	General Fund	Reclassifications and Eliminations <sup>1</sup>	Statement of Activities
<b>EXPENDITURES/EXPENSES:</b>			
Administration	\$ 71,760	\$ -	\$ 71,760
Membership services	134,210	-	134,210
Depreciation	-	-	-
Total expenditures/expenses	<u>205,970</u>	<u>-</u>	<u>205,970</u>
<b>REVENUES:</b>			
Program revenues:			
State library	129,283	-	129,283
Other agencies	12,866	-	12,866
Total program revenues	<u>142,149</u>	<u>-</u>	<u>142,149</u>
Net program expense	<u>63,821</u>	<u>-</u>	<u>63,821</u>
General revenues:			
Membership fees	66,524	-	66,524
Investment earnings	9,628	-	9,628
Total general revenues	<u>76,152</u>	<u>-</u>	<u>76,152</u>
<b>REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	<u>12,331</u>	<u>-</u>	<u>12,331</u>
<b>CHANGE IN NET ASSETS</b>	12,331	-	12,331
<b>FUND BALANCES/NET ASSETS:</b>			
Beginning of the year	<u>208,124</u>	<u>-</u>	<u>208,124</u>
End of the year	<u>\$ 220,455</u>	<u>\$ -</u>	<u>\$ 220,455</u>

<sup>1</sup> Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets.

**Monterey Bay Area Cooperative Library System**  
**Notes to Basic Financial Statements, Continued**  
**For the year ended June 30, 2008**

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**8. SUBSEQUENT EVENTS**

In their August 2008 meeting, the Administrative Council decided to discontinue services and the membership of the Aiso Library, DLI, Presidio of Monterey because of nonpayment of membership fees for two years.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Monterey Bay Area Cooperative Library System**  
**Required Supplementary Information**  
**For the year ended June 30, 2008**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the year ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Budgetary fund balance, July 1, 2007</b>	\$ 208,124	\$ 208,124	\$ 208,124	\$ -
<b>Resources (inflows):</b>				
Interest income	1,000	1,000	9,628	8,628
Grants:				
State library	129,020	129,020	129,283	263
Other agencies	1,740	1,740	12,866	11,126
Membership fees	66,525	66,525	66,524	(1)
Workshop fees	-	-	-	-
<b>Amounts available for appropriation</b>	<u>406,409</u>	<u>406,409</u>	<u>426,425</u>	<u>20,016</u>
<b>Charges to appropriations (outflows):</b>				
Administration:				
System administration	61,612	61,612	71,306	(9,694)
System advisory board	412	412	454	(42)
Membership services:				
System reference	56,139	56,139	56,229	(90)
Communications and delivery	69,037	69,037	72,485	(3,448)
Technology	20,085	20,085	5,496	14,589
<b>Total charges to appropriations</b>	<u>207,285</u>	<u>207,285</u>	<u>205,970</u>	<u>1,315</u>
<b>Budgetary fund balance, June 30, 2008</b>	<u>\$ 199,124</u>	<u>\$ 199,124</u>	<u>\$ 220,455</u>	<u>\$ 21,331</u>