



**Auditor of State  
Betty Montgomery**



NOLA REGIONAL LIBRARY SYSTEM  
TRUMBULL COUNTY

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## Auditor of State Betty Montgomery

### REPORT OF INDEPENDENT ACCOUNTANTS

Nola Regional Library System  
Trumbull County  
4445 Mahoning Avenue NW  
Warren, Ohio 44483

To the Board of Trustees:

We have audited the accompanying financial statement of Nola Regional Library System, Trumbull County (the Library) as of and for the year ended June 30, 2004. This financial statement is the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Library prepares its financial statement on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the combined fund cash balances of the Library as of June 30, 2004, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2005 on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Nola Regional Library System  
Trumbull County  
Report of Independent Accountants  
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This report is intended solely for the information and use of the audit committee, management, Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 4, 2005

**NOLA REGIONAL LIBRARY SYSTEM  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	
<b>Cash Receipts:</b>				
Federal Grants-in-Aid		\$36,480		\$36,480
State Grants-in-Aid		204,209		204,209
Local Grants-in-Aid	\$363,785	7,598		371,383
Patron Fines and Fees	124,062			124,062
Earnings on Investments	12,331			12,331
Sale of Supplies	414			414
Miscellaneous Receipts	10,490		\$148,457	158,947
	<u>511,082</u>	<u>248,287</u>	<u>148,457</u>	<u>907,826</u>
<b>Total Cash Receipts</b>	<b>511,082</b>	<b>248,287</b>	<b>148,457</b>	<b>907,826</b>
<b>Cash Disbursements:</b>				
Current:				
Salaries and Leave Benefits	181,689	187,489		369,178
Supplies	9,108			9,108
Purchased and Contracted Services	172,281	45,393		217,674
Library Materials & Information	25,028	84		25,112
Capital Outlay	2,039	33,341	6,309	41,689
Miscellaneous	2,057		139,306	141,363
	<u>392,202</u>	<u>266,307</u>	<u>145,615</u>	<u>804,124</u>
<b>Total Cash Disbursements</b>	<b>392,202</b>	<b>266,307</b>	<b>145,615</b>	<b>804,124</b>
Total Cash Receipts Over/(Under) Cash Disbursements	118,880	(18,020)	2,842	103,702
Fund Cash Balances, July 1, 2003	<u>676,506</u>	<u>30,371</u>	<u>10,539</u>	<u>717,416</u>
<b>Fund Cash Balances, June 30, 2004</b>	<b><u>\$795,386</u></b>	<b><u>\$12,351</u></b>	<b><u>\$13,381</u></b>	<b><u>\$821,118</u></b>

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

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**NOLA REGIONAL LIBRARY SYSTEM  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Nola Regional Library System, Trumbull County, (the Library) is comprised of public, academic, special, school, institutional, and other libraries and information services established to provide cooperative information services and programs within the geographical area of Ashtabula, Columbiana, Geauga, Lake, Lorain, Mahoning, Portage, and Trumbull Counties. The Library System is chartered as a metropolitan library system, created and governed according to the provisions of Sections 3375.90 and 3375.93, Revised Code, and does not overlap with any other legally state chartered system.

The Nola Regional Library System is governed by a board of trustees comprised of thirteen members who have the right to exercise all powers pursuant to Revised Code Section 3375.91. The Board composition includes eleven members representing public libraries and two members representing non-public libraries. Board members are elected by, from and among the Membership Council, to a term of three years and cannot serve longer than two consecutive terms.

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and repurchase agreements are valued at cost. The investment in STAR Ohio is valued at amounts reported by the State Treasurer.

**NOLA REGIONAL LIBRARY SYSTEM  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**D. Fund Accounting**

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

**1. General Fund**

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

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Funds:

*State Grant Fund* – This is a State fund that accounts for all restricted state monies.

*LSTA Grant Funds* – This fund receives Federal money through the State Library of Ohio for various projects. The Library had three such projects during the audit period.

**3. Fiduciary Funds (Agency Funds)**

Funds for which the Library is acting in an agency capacity are classified as agency funds. The Library had the following significant fiduciary funds:

*Health Insurance Fund* – The Library acts as the agent for paying health insurance premiums for its member libraries.

*Group Purchasing Fund* – The Library acts as a purchasing agent for its member libraries for purchasing from database vendors and electronic equipment vendors.

**E. Budgetary Process**

**1. Budget**

For the second year of the Biennium Contract no later than May 31, the Library submits an annual plan of service for federal and local funds to the State Library Board. The State Library Board takes action on this plan on or before June 30 and the Library signs all the necessary contracts with the State Library. For the negotiations of the Biennium contract budgetary reports are due on or before March 31.

**2. Appropriations**

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control.

**NOLA REGIONAL LIBRARY SYSTEM  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**3. Encumbrances**

Although the Ohio Administrative Code has rescinded the requirement to encumber appropriations, the Library has chosen to continue to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2004 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the basis of accounting the Library uses.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

The Library maintains a cash and investments pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 follows:

	<u>2004</u>
Demand deposits	\$103,706
Certificates of deposit	<u>200,000</u>
Total deposits	303,706
STAR Ohio	121,652
Repurchase agreement (Sweep Account)	<u>395,760</u>
Total investments	<u>517,412</u>
Total deposits and investments	<u><u>\$821,118</u></u>

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Library.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form. The Library's financial institution transfers the securities to the Library's agent to collateralize repurchase agreements. The securities are not in the Library's name.

**NOLA REGIONAL LIBRARY SYSTEM  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the year ending June 30, 2004 follows:

<u>2004 Budgeted vs. Actual Budgetary Basis Expenditures</u>			
<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$449,432	\$392,202	\$57,230
Special Revenue	295,487	266,306	29,181
Total	<u>\$744,919</u>	<u>\$658,508</u>	<u>\$86,411</u>

**4. RETIREMENT SYSTEM**

The Public Employees Retirement System of Ohio (PERS) is a state operated, cost-sharing, multiple employer public employee retirement system. PERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees.

Contribution rates are prescribed by the Ohio Revised Code. The Library's PERS members contributed 8.5% of their gross salaries. The Library contributed an amount equal to 13.55% of participants' gross salaries for 2004. The Library has paid all contributions required through June 30, 2004.

**5. RISK MANAGEMENT**

**Commercial Insurance**

Nola Regional Library System has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions.



**Auditor of State  
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Nola Regional Library System  
Trumbull County  
4445 Mahoning Avenue NW  
Warren, Ohio 44483

To the Board of Trustees:

We have audited the accompanying financial statement of Nola Regional Library System (the Library) as of and for the year ended June 30, 2004, and have issued our report thereon dated March 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Library's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our 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 may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Nola Regional Library System  
Trumbull County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the audit committee, management and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 4, 2005



**Auditor of State  
Betty Montgomery**

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**NOLA REGIONAL LIBRARY SYSTEM**

**TRUMBULL COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**

**APRIL 12, 2005**