



Mary Taylor, CPA
Auditor of State

**NORTHWEST REGIONAL LIBRARY SYSTEM
WOOD COUNTY**

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Mary Taylor, CPA
Auditor of State

Northwest Regional Library System
Wood County
181½ South Main Street
Bowling Green, Ohio 43402-2910

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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Auditor of State

September 30, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Northwest Regional Library System
Wood County
181½ South Main Street
Bowling Green, Ohio 43402-2910

To the Board of Trustees:

We have audited the accompanying financial statements of Northwest Regional Library System, Wood County, (NORWELD) as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the NORWELD's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, NORWELD has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting NORWELD's larger (i.e. major) funds separately. While NORWELD does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. NORWELD has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2008 and 2007, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of NORWELD as of June 30, 2008 and 2007, and for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Northwest Regional Library System, Wood County, as of June 30, 2008 and 2007, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2008, on our consideration of NORWELD'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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. 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.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 30, 2008

**NORTHWEST REGIONAL LIBRARY SYSTEM
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental Revenue		\$255,349	\$255,349
Earnings on Investments	\$3,508	2,036	5,544
Services Provided to Other Entities	24,837	180,525	205,362
	<u>28,345</u>	<u>437,910</u>	<u>466,255</u>
Cash Disbursements:			
Current:			
Salaries and Benefits	\$6,770	\$191,570	\$198,340
Purchased and Contracted Services	1,713	133,988	135,701
Library Material and Information	14,013	32,905	46,918
Supplies	1,169	5,686	6,855
Other	1,471		1,471
Capital Outlay		35,822	35,822
	<u>25,136</u>	<u>399,971</u>	<u>425,107</u>
Total Cash Receipts Over Cash Disbursements	<u>3,209</u>	<u>37,939</u>	<u>41,148</u>
Other Financing Receipts/(Disbursements):			
Transfers-In	548	13,914	14,462
Transfers-Out		(14,462)	(14,462)
	<u>548</u>	<u>(548)</u>	<u></u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	3,757	37,391	41,148
Fund Cash Balances, July 1	<u>87,972</u>	<u>54,912</u>	<u>142,884</u>
Fund Cash Balances, June 30	<u>\$91,729</u>	<u>\$92,303</u>	<u>\$184,032</u>

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

**NORTHWEST REGIONAL LIBRARY SYSTEM
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental Revenue		\$261,109	\$261,109
Earnings on Investments	\$4,111	1,787	5,898
Services Provided to Other Entities	30,808	153,638	184,446
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	34,919	416,534	451,453
Cash Disbursements:			
Current:			
Salaries and Benefits		\$194,055	\$194,055
Purchased and Contracted Services	8,304	127,987	136,291
Library Material and Information	14,208	37,265	51,473
Supplies	1,018	7,169	8,187
Other	1,988		1,988
Capital Outlay	7,857	23,689	31,546
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	33,375	390,165	423,540
Total Cash Receipts Over Cash Disbursements	<hr/>	<hr/>	<hr/>
	1,544	26,369	27,913
Other Financing Receipts/(Disbursements):			
Transfers-In	1,374	8,827	10,201
Transfers-Out		(10,201)	(10,201)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	1,374	(1,374)	
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	2,918	24,995	27,913
Fund Cash Balances, July 1	<hr/>	<hr/>	<hr/>
	85,054	29,917	114,971
Fund Cash Balances, June 30	<hr/> \$87,972 <hr/>	<hr/> \$54,912 <hr/>	<hr/> \$142,884 <hr/>
Reserves for Encumbrances, June 30	<hr/>	<hr/>	<hr/>
	<hr/>	<hr/>	<hr/>
		\$8,555	\$8,555

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

**NORTHWEST REGIONAL LIBRARY SYSTEM
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Northwest Library District, Wood County, (NORWELD) is a Metropolitan Library System, as defined by §3375.90 of the Ohio Revised Code, established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. NORWELD is an organization of public, academic, special, school, institutional, and other libraries or information services within the NORWELD's geographical service area. Effective July 1, 2006, the State Library of Ohio amended NORWELD's charter to reorganize and adjust their geographic service area boundaries, and changed their name to Northwest Regional Library System. NORWELD operates under a Membership Council, which consists of library administrators and trustees from member libraries, and a Board of Trustees (15 members) elected by the Membership Council. The Board of Trustees is responsible for the provision of special library educational resources to NORWELD.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

NORWELD's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

STAR Ohio is recorded at share values reported by the State of Ohio.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**NORTHWEST REGIONAL LIBRARY SYSTEM
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

2. Special Revenue Funds

These funds 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 Fund:

NORWELD Fund – This fund receives State Library allocations and membership fees from participating libraries to be used for program operations.

E. Budgetary Process

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 level of control.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

NORWELD maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2008	2007
Demand deposits	\$9,175	\$53,224
STAR Ohio	174,857	89,660
Total deposits and investments	\$184,032	\$142,884

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution’s public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**NORTHWEST REGIONAL LIBRARY SYSTEM
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2008 and 2007 follows:

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$39,155	\$25,136	\$14,019
Special Revenue	411,416	414,433	(3,017)
Total	\$450,571	\$439,569	\$11,002

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$44,146	\$33,375	\$10,771
Special Revenue	409,469	408,921	548
Total	\$453,615	\$442,296	\$11,319

4. RETIREMENT SYSTEM

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

Contribution rates are prescribed by the Ohio Revised Code. NORWELD's OPERS members contributed 4.5 percent in 2006, 4.75 percent in 2007, and 5 percent in 2008. NORWELD "picked up" 4.5 percent in 2006, 4.75 percent in 2007, and 5 percent in 2008 of participants' gross salaries. NORWELD contributed an amount equal to 13.7 percent in 2006, 13.85 percent in 2007, and 14 percent in 2008 of participants' gross salaries for 2008 and 2007. NORWELD has paid all contributions required through June 30, 2008.

5. RISK MANAGEMENT

Commercial Insurance

NORWELD has obtained commercial insurance for the following risks:

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Northwest Regional Library System
Wood County
181 ½ South Main Street
Bowling Green, Ohio 43402-2910

To the Board of Trustees:

We have audited the financial statements of the Northwest Regional Library System, Wood County, (NORWELD) as of and for the years ended June 30, 2008 and 2007, and have issued our report thereon dated September 30, 2008, wherein we noted NORWELD followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered NORWELD's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of NORWELD's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of NORWELD's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects NORWELD's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that NORWELD's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that NORWELD's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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www.auditor.state.oh.us

We noted a certain matter that we reported to NORWELD's management in a separate letter dated September 30, 2008.

Compliance and Other Matters

As part of reasonably assuring whether NORWELD's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We intend this report solely for the information and use of NORWELD's management and the Board of Trustees. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 30, 2008



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Auditor of State

**NORTHWEST REGIONAL LIBRARY SYSTEM
WOOD 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
NOVEMBER 6, 2008**