



Dave Yost • Auditor of State



**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM  
TRUMBULL COUNTY  
JUNE 30, 2011 AND 2010**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Cover Letter.....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Fund Types - For the Year Ended June 30, 2011.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Fund Types - For the Year Ended June 30, 2010.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13

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# Dave Yost • Auditor of State

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

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.

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**Dave Yost**  
Auditor of State

August 31, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Northeast Ohio Regional Library System, Trumbull County, (the Library) as of and for the years ended June 30, 2011 and 2010. These financial statements are 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 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, the Library 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 the Library's larger (i.e. major) funds separately. While the Library does not follow GAAP, generally accepted auditing standards requires 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 Libraries to reformat their statements. The Library 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, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of June 30, 2011 and 2010, or its changes in financial position for the years then ended.

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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 Northeast Ohio Regional Library System, Trumbull County, as of June 30, 2011 and 2010, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Library 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 August 31, 2011, 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. 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 black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

August 31, 2011



**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>All Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Agency Funds</u>	
<b>Cash Receipts:</b>				
Government Grants-In-Aid	\$ 211,460	\$ 467,505		\$ 678,965
Patron Fines and Fees	332,890			332,890
Earnings on Investments	12,305	1,754	4,986	19,045
Miscellaneous	120,365		1,679,882	1,800,247
<b>Total Cash Receipts</b>	<u>677,020</u>	<u>469,259</u>	<u>1,684,868</u>	<u>2,831,147</u>
<b>Cash Disbursements:</b>				
Current:				
Salaries	233,899	146,840		380,739
Employee Fringe Benefits	57,978	36,561		94,539
Purchased and Contractual Services	250,266	286,778	1,442,773	1,979,817
Library Materials and Information	19,024		35	19,059
Supplies	5,412	393	138	5,943
Other	538	62,315	565	63,418
Capital Outlay	6,000	13,683	141,981	161,664
<b>Total Cash Disbursements</b>	<u>573,117</u>	<u>546,570</u>	<u>1,585,492</u>	<u>2,705,179</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>103,903</u>	<u>(77,311)</u>	<u>99,376</u>	<u>125,968</u>
Fund Cash Balances, January 1	<u>1,107,653</u>	<u>501,785</u>	<u>949,887</u>	<u>2,559,325</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$1,211,556</b></u>	<u><b>\$424,474</b></u>	<u><b>\$1,049,263</b></u>	<u><b>\$2,685,293</b></u>
Reserve for Encumbrances, December 31	<u>\$7,001</u>	<u>\$20,189</u>	<u>\$0</u>	<u>\$27,190</u>

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

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>All Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Agency Funds</u>	
<b>Cash Receipts:</b>				
Government Grants-In-Aid	\$ 234,976	\$ 517,136		\$ 752,112
Patron Fines and Fees	304,765			304,765
Earnings on Investments	4,749	23,561	8,048	36,358
Miscellaneous	51,909		1,581,058	1,632,967
Total Cash Receipts	<u>596,399</u>	<u>540,697</u>	<u>1,589,106</u>	<u>2,726,202</u>
<b>Cash Disbursements:</b>				
Current:				
Salaries	200,754	172,518		373,272
Employee Fringe Benefits	36,864	53,483		90,347
Purchased and Contractual Services	242,933	265,886	1,278,275	1,787,094
Library Materials and Information	18,701		24,443	43,144
Supplies	3,592	14	128	3,734
Other	848	98,577	0	99,425
Capital Outlay	31,009	0	140,655	171,664
Total Cash Disbursements	<u>534,701</u>	<u>590,478</u>	<u>1,443,501</u>	<u>2,568,680</u>
Total Receipts Over/(Under) Disbursements	<u>61,698</u>	<u>(49,781)</u>	<u>145,605</u>	<u>157,522</u>
Fund Cash Balances, January 1	<u>1,045,955</u>	<u>551,566</u>	<u>804,282</u>	<u>2,401,803</u>
<b>Fund Cash Balances, December 31</b>	<b><u>\$1,107,653</u></b>	<b><u>\$501,785</u></b>	<b><u>\$949,887</u></b>	<b><u>\$2,559,325</u></b>
Reserve for Encumbrances, December 31	<u>\$14,078</u>	<u>\$36,940</u>		<u>\$51,018</u>

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

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Northeast Ohio Regional Library System, Trumbull County, (the Library) as a body corporate and politic. The Library is a membership consortium of academic, public, school, special, institutional and other libraries and information centers located in the Library's geographic area. The Library provides the community with various educational and literary resources.

The Library's geographic area includes the following counties: Ashland, Ashtabula, Carroll, Columbiana, Coshocton, Cuyahoga, Erie, Geauga, Harrison, Holmes, Knox, Lake, Lorain, Mahoning, Medina, Portage, Richland, Stark, Summit, Trumbull, Tuscarawas, and Wayne.

The Library's Board of Trustees consists of fifteen (15) members selected from among the duly appointed voting representatives of the Advisory Council. One representative from each member Library with full voting membership collectively constitutes the Advisory Council. All terms of office on the Board of Trustees shall be three (3) years.

The Library's management believes these financial statements present all activities for which the Library 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. Deposits and Investments**

The Library'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.

The Library values certificates of deposit and repurchase agreements at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**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 reports all financial resources except those required to be accounted for in another fund.

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(Continued)**

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

**2. Special Revenue Funds**

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

NOLA Trust Fund – This fund consists of cash assets transferred to the Library per dissolution plan of NOLA Regional Library System as approved by the State Librarian. A five-member board of trustees has sole discretion on how the funds are used to benefit the Library.

State Library Funding Fund – This fund receives State monies through the State Library of Ohio restricted to expenditure for specific purposes.

LSTA – 24/7 – Know It Now Program – This fund accounts for a Federal program through Cleveland Public Library. The program offers internet help to Library users 24 hours / 7 days per week. The Library manages the day to day operations of the program, including hiring and payment of staff.

**3. Fiduciary Funds**

Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations and other governments. The Library disburses these funds as directed by the individual, organization or other government. The Library had the following significant Agency Funds:

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

Self-funded Insurance Fund – The Regional Library serves as fiscal agent for the Ohio Employees Benefit Consortium. This fund receives health insurance premium payments from member libraries to pay medical claims of employees enrolled in the self-funded health insurance plan. The fund was established on January 1, 2007 in accordance with the inception of the self-insurance plan.

**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.

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(Continued)**

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

**2. Appropriations**

The Library Board must annually approve appropriation measures and subsequent amendments for all funds, except the NOLA Trust Fund and agency funds. 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.

**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 2011 and 2010 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 DEPOSITS AND INVESTMENTS**

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

	2011	2010
Demand deposits	\$675,538	\$668,740
Certificates of deposit	461,688	449,842
Public Fund Accounts	1,547,667	1,440,343
Total deposits	2,684,893	2,558,925
STAR Ohio	400	400
Total investments	400	400
Total deposits and investments	\$2,685,293	\$2,559,325

**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.

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending June 30, 2011 and 2010 follows:

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$686,599	\$580,118	\$106,481
Special Revenue	452,992	504,443	(51,451)
Total	\$1,139,591	\$1,084,561	\$55,030

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$695,000	\$548,779	\$146,221
Special Revenue	462,018	528,841	(66,823)
Total	\$1,157,018	\$1,077,620	\$79,398

**4. GRANTS-IN-AID AND TAX RECEIPTS**

The primary source of revenue for Ohio public libraries is the Public Regional Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month. The County Budget Commission bases the amount for distribution on the needs of such Library for the construction of new Library buildings, parts of buildings, improvements, operation, maintenance, or other expenses. The County Budget Commission cannot reduce its allocation of these funds to the Library based on of any additional revenues the Library receives.

**5. RETIREMENT SYSTEMS**

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. The Library has paid all contributions required through June 30, 2011.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

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

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011 AND 2010  
(Continued)**

**7. RISK POOL MEMBERSHIP**

The Library is a member of the Ohio Employee Benefits Consortium (the Consortium) whose purpose is to provide and/or purchase medical, prescription, drug, vision, dental, life and/or other insurance benefits for employees and their eligible dependents and beneficiaries. The Consortium is a shared risk pool comprised of libraries within the Library's geographic area. The Library is fiscal agent for the Consortium. Rates are set through an annual calculation process. Contributions are placed in a common fund from which claim payments are made for all participants regardless of claims flow.

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of June 30, 2010 and 2009 (latest information available):

	<u>2010</u>	<u>2009</u>
Cash and investments	\$905,619	\$944,957
Actuarial liabilities	(\$78,639)	(\$68,480)
Excess Funds	<u>\$826,980</u>	<u>\$876,477</u>

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# Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited the financial statements of the Northeast Ohio Regional Library System, Trumbull County, (the Library) as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated August 31, 2011, wherein we noted the Library 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 the Library's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not to opine on the effectiveness of the Library's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Library'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 the Library'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 the Library'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 the Library'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.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Library'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 the Library Board of Trustees and management and others within the Library. We intend this report for no one other than these specified parties.



**Dave Yost**  
Auditor of State

August 31, 2011



# Dave Yost • Auditor of State

**NORTHEAST OHIO 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  
NOVEMBER 29, 2011**