



**Auditor of State
Betty Montgomery**

**NOLA REGIONAL LIBRARY SYSTEM
TRUMBULL COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

Nola 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 the Nola Regional Library System (the Library) as of and for the year ended June 30, 2003. 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 *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 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Library prepares its financial statements 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 statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Library as of June 30, 2003, 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 December 26, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Nola Regional Library System
Trumbull County
Independent Accountant's Report
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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

December 26, 2003

**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, 2003**

	<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>	
Cash Receipts:				
Federal Grants-in-Aid		\$54,399		\$54,399
State Grants-in-Aid		259,192		259,192
Local Grants-in-aid	\$324,417	6,347		330,764
Patrons Fines and Fees	102,887			102,887
Earnings on Investments	8,061			8,061
Miscellaneous Receipts	23,352		\$174,688	198,040
Total Cash Receipts	<u>458,717</u>	<u>319,938</u>	<u>174,688</u>	<u>953,343</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	155,923	189,749		345,672
Supplies	7,994			7,994
Purchased and Contracted Services	120,195	94,284		214,479
Library Material and Information	26,181	8,399		34,580
Capital Outlay	3,827	11,700	3,655	19,182
Miscellaneous	8,215		160,495	168,710
Total Cash Disbursements	<u>322,335</u>	<u>304,132</u>	<u>164,150</u>	<u>790,617</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>136,382</u>	<u>15,806</u>	<u>10,538</u>	<u>162,726</u>
Other Financing Receipts/(Disbursements):				
Other Receipts			1,408,541	1,408,541
Other Disbursements			(1,407,547)	(1,407,547)
Total Other Financing Receipts/(Disbursements)			<u>994</u>	<u>994</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>136,382</u>	<u>15,806</u>	<u>11,532</u>	<u>163,720</u>
Fund Cash Balances, July 1	<u>540,124</u>	<u>14,565</u>	<u>(994)</u>	<u>553,695</u>
Fund Cash Balances, June 30	<u>\$676,506</u>	<u>\$30,371</u>	<u>\$10,538</u>	<u>\$717,415</u>
Reserves for Encumbrances, June 30	<u>\$19,707</u>	<u>\$17,886</u>	<u>\$0</u>	<u>\$37,593</u>

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, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The 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 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. 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 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 (the State Treasurer Investment pool) is valued at amounts reported by the State Treasurer.

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.

**NOLA REGIONAL LIBRARY SYSTEM
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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 fund receives state monies which are restricted as to use.

LSTA Grant Funds – This fund receives federal funds from the State Library of Ohio for various projects.

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 – Nola acts as the agent for paying health insurance premiums for its member libraries.

Group Purchasing Fund – Nola 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.

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 2003 budgetary activity appears in Note 3.

**NOLA REGIONAL LIBRARY SYSTEM
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Library's basis of accounting.

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 was as follows:

	2003
Demand deposits	\$12,146
Certificates of deposit	300,000
Total deposits	312,146
 STAR Ohio	 \$120,435
Repurchase agreement	284,834
Total investments	405,269
 Total deposits and investments	 \$717,415

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution's public entity risk pool.

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, 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2003 follows:

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$363,724	\$342,042	\$21,682
Special Revenue	327,601	322,018	5,583
Total	\$691,325	\$664,060	\$27,265

4. RETIREMENT SYSTEMS

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 fiscal year 2003. The Library has paid all contributions required through June 30, 2003.

5. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANT'S REPORT 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 statements of the Nola Regional Library System (the Library) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 26, 2003. 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 statements are 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.

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Nola Regional Library System
Trumbull County
Independent Accountant's Report 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

December 26, 2003



**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
MARCH 25, 2004**