



Mary Taylor, CPA  
Auditor of State



**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM  
TRUMBULL COUNTY**

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Mary Taylor, CPA  
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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

November 30, 2009

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# Mary Taylor, CPA

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, 2009 and 2008. 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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position 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 the Northeast Regional Library System, Trumbull County, as of June 30, 2009 and 2008, and its combined cash receipts and disbursements for the fiscal 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 November 30, 2009, 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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

November 30, 2009



**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2009**

	<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>				
Intergovernmental	\$382,745	\$526,322	\$1,705,677	\$2,614,744
Patron Fines and Fees	350,135			350,135
Earnings on Investments	15,721	6,274	6,119	28,114
Miscellaneous Receipts	89,484	37	381,048	470,569
	<u>838,085</u>	<u>532,633</u>	<u>2,092,844</u>	<u>3,463,562</u>
<b>Total Cash Receipts</b>				
<b>Cash Disbursements:</b>				
Salaries and Leave Benefits	195,355	178,937		374,292
Employee Fringe Benefits	38,924	53,185		92,109
Supplies	5,626	325	455	6,406
Purchased and Contracted Services	285,344	304,149	1,405,512	1,995,005
Library Material & Information	59,720	0	72,522	132,242
Capital Outlay	10,042	0	155,830	165,872
Miscellaneous	35,406	214,263	1,406	251,075
	<u>630,417</u>	<u>750,859</u>	<u>1,635,725</u>	<u>3,017,001</u>
<b>Total Cash Disbursements</b>				
Total Cash Receipts Over/(Under) Cash Disbursements	<u>207,668</u>	<u>(218,226)</u>	<u>457,119</u>	<u>446,561</u>
Fund Cash Balances, July 1	<u>838,287</u>	<u>769,793</u>	<u>347,162</u>	<u>1,955,242</u>
<b>Fund Cash Balances, June 30</b>	<b><u>\$1,045,955</u></b>	<b><u>\$551,567</u></b>	<b><u>\$804,281</u></b>	<b><u>\$2,401,803</u></b>
Reserves for Encumbrances, June 30	<u>\$5,020</u>	<u>\$16,705</u>	<u>\$0</u>	<u>\$21,725</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 AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2008**

	<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>				
Intergovernmental	\$498,561	\$583,404	\$1,697,129	\$2,779,094
Patron Fines and Fees	226,818			226,818
Earnings on Investments	26,175	35,229	165	61,569
Miscellaneous Receipts	52,328		275,277	327,605
<b>Total Cash Receipts</b>	<b>803,882</b>	<b>618,633</b>	<b>1,972,571</b>	<b>3,395,086</b>
<b>Cash Disbursements:</b>				
Salaries and Leave Benefits	187,593	165,737		353,330
Employee Fringe Benefits	49,021	59,026		108,047
Supplies	7,965	568		8,533
Purchased and Contracted Services	222,534	324,909	1,439,507	1,986,950
Library Material & Information	80,277	10,851	56,131	147,259
Capital Outlay	27,130	38,465	213,561	279,156
Miscellaneous	6,327	80,612		86,939
<b>Total Cash Disbursements</b>	<b>580,847</b>	<b>680,168</b>	<b>1,709,199</b>	<b>2,970,214</b>
Total Cash Receipts Over/(Under) Cash Disbursements	223,035	(61,535)	263,372	424,872
<b>Other Financing Receipts/(Disbursements):</b>				
Transfer-In	5,134			5,134
Transfer-Out			(5,134)	(5,134)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>5,134</b>	<b>0</b>	<b>(5,134)</b>	<b>0</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	228,169	(61,535)	258,238	424,872
Fund Cash Balances, July 1	610,118	831,327	88,924	1,530,369
<b>Fund Cash Balances, June 30</b>	<b>\$838,287</b>	<b>\$769,792</b>	<b>\$347,162</b>	<b>\$1,955,241</b>
Reserves for Encumbrances, June 30	\$0	\$28,104	\$0	\$28,104

*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 2009 AND 2008**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Northeast Ohio Regional Library System, Trumbull County, (the Regional) is an area regional library system created and governed according to the provisions of Ohio Revised Code § 3375.90. The Regional is a membership consortium of academic, public, school, special, institutional and other libraries and information centers located in the Regional's geographic area. The Regional provides members with various educational and literary services and programs beyond their individual capabilities and resources.

The Regional'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 Regional'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 Regional's management believes these financial statements present all activities for which the Regional 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 Regional 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 Regional'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 Regional 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 Regional uses fund accounting to segregate cash and investments that are restricted as to use. The Regional classifies its funds into the following types:

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009 AND 2008  
(Continued)**

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

**1. General Fund**

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

**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 Regional had the following significant Special Revenue Funds:

NOLA Trust Fund – This fund consists of cash assets transferred to the Regional 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 Regional.

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 Regional users 24 hours / 7 days per week. The Regional 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 Regional disburses these funds as directed by the individual, organization or other government. The Regional 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 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 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 Regional 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 Regional 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, 2009 AND 2008  
(Continued)**

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

**2. Appropriations**

The Regional 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 Regional 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 2009 and 2008 budgetary activity appears in Note 3.

**F. Property, Plant, and Equipment**

The Regional 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 Regional 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 June 30 was as follows:

	2009	2008
Business checking account	\$144,705	\$249,348
Certificates of deposit	1,278,090	977,242
Public fund account	978,608	719,360
Total deposits	2,401,403	1,945,950
STAR Ohio	400	9,291
Total investments	400	9,291
Total deposits and investments	<u>\$2,401,803</u>	<u>\$1,955,241</u>

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

**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, 2009 AND 2008  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending June 30 2009 and 2008 follows:

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$ 761,292	\$ 635,437	\$ 125,855
Special Revenue	767,564	767,564	
Total	<u>\$ 1,528,856</u>	<u>\$ 1,403,001</u>	<u>\$ 125,855</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General	\$ 761,292	\$ 580,847	\$ 180,445
Special Revenue	708,272	708,272	
Total	<u>\$ 1,469,564</u>	<u>\$ 1,289,119</u>	<u>\$ 180,445</u>

**4. RETIREMENT SYSTEMS**

The Regional'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 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. The Regional has paid all contributions required through June 30, 2009.

**5. 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, 2009 AND 2008  
(Continued)**

**5. RISK MANAGEMENT - (Continued)**

**Risk Pool Membership**

The Regional 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 Regional's geographic area. The Regional 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.

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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*

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 Regional) as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated November 30, 2009, wherein we noted the Regional 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 Regional'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 the Regional's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Regional'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 Regional'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 Regional'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 Regional'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 Regional'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. We intend this report for no one other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

November 30, 2009



**Mary Taylor, CPA**  
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  
DECEMBER 22, 2009**