



Mary Taylor, CPA
Auditor of State

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Southeast Regional Library System
Jackson County
252 W. 13th Street
Wellston, Ohio 45692

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Southeast Regional Library System, Jackson County, Ohio (the Library), as of and for the years ended June 30, 2009 and 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express opinions 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Southeast Regional Library System, Jackson County, Ohio, as of June 30, 2009 and 2008, and the respective changes in cash financial position and the respective budgetary comparisons for the General Fund and Special Revenue State Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2010, 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management, regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

March 2, 2010

This discussion and analysis of the Southeast Regional Library System's (the Library) financial performance provides an overall review of the Library's financial activities for the years ended June 30, 2008 and 2009, within the limitations of the Library's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2009 are as follows:

Net assets of activities increased \$4,805, or 4.6 percent, a slight change from the prior year.

The Library's general receipts are primarily State Library and Local Government Support Fund receipts. These receipts represent 88 percent of the total cash received for governmental activities during the year.

Key highlights for 2008 are as follows:

Net assets of activities decreased \$15,766, or 13 percent from the prior year.

The Library's general receipts are primarily State Library and Local Government Support Fund receipts. These receipts represent respectively 78 percent of the total cash received for governmental activities during the year.

Using the Basic Financial Statements

This report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Library as a Whole

The statement of net assets and the statement of activities reflect how the Library did financially during 2008 and 2009, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges for service and grants and contributions restricted to meeting the operational requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other non financial factors such as the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources.

In the statement of net assets and the statement of activities, the Library has one type of activity:

Governmental Activities - All of the Library's basic services are reported here, including library services, support services, and capital outlay. State grants finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are governmental and fiduciary.

Governmental Funds - Most of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for non major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's major governmental funds are the General Fund, State Fund, and Building Fund. The Library has no non-major funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Fund - The Library's fiduciary fund uses the same basis of accounting (cash basis) as governmental fund activities; therefore, these statements will essentially match the information provided in statements for the Library as a whole.

The Library as a Whole

Table 1 provides a summary of the Library's net assets for 2009 compared to 2008 and 2007 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		
	2009	2008	2007
Assets			
Equity in Pooled Cash and Cash Equivalents	\$110,278	\$105,473	\$121,239
Total Assets	\$110,278	\$105,473	\$121,239
Net Assets			
Restricted for:			
Capital Projects	\$931	\$10,025	\$12,040
Other Purposes	17,970	12,064	35,856
Unrestricted	91,377	83,384	73,343
Total Net Assets	\$110,278	\$105,473	\$121,239

As mentioned previously, total net assets of activities increased \$4,805 or 4.6 percent during 2009, and decreased \$15,766 or 13.0 percent during 2008.

Southeast Regional Library System
Management's Discussion and Analysis
June 30, 2009 and 2008 (Unaudited)

Table 2 reflects the changes in net assets in 2009 and 2008 and the changes in net assets in 2008 and 2007.

(Table 2)
Changes in Net Assets

	Governmental Activities		
	2009	2008	2007
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$26,753	\$29,062	\$23,446
Capital Grants and Contributions	0	25,000	0
Total Program Receipts	<u>26,753</u>	<u>54,062</u>	<u>23,446</u>
General Receipts:			
Intergovernmental	232,777	219,643	263,610
Interest	1,236	5,593	5,420
Receipt from SOLO	0	0	7,316
Miscellaneous	3,670	2,723	970
Total General Receipts	<u>237,683</u>	<u>227,959</u>	<u>277,316</u>
Total Receipts	<u>264,436</u>	<u>282,021</u>	<u>300,762</u>
Disbursements:			
Salaries	133,399	115,160	125,530
Employee Fringe Benefits	38,468	34,396	94,569
Purchased and Contracted Services	82,803	82,981	83,667
Library Material and Information	1,040	716	0
Supplies	2,149	7,326	4,108
Other	150	1,292	490
Capital Outlay	1,622	55,916	339
Total Disbursements	<u>259,631</u>	<u>297,787</u>	<u>308,703</u>
Increase (Decrease) in Net Assets	4,805	(15,766)	(7,941)
Net Assets, July 1	<u>105,473</u>	<u>121,239</u>	<u>129,180</u>
Net Assets, June 31	<u>\$110,278</u>	<u>\$105,473</u>	<u>\$121,239</u>

Program receipts represent 10.1 percent of total receipts for 2009 and 19.2 percent of the total receipts for 2008, and are comprised of restricted receipts such as charges for services and a capital grant.

General receipts represent 89.9 percent in 2009 and 80.8 percent in 2008 of the Library's total receipts, and of this amount, over 97 percent are intergovernmental receipts in 2009 and over 96 percent are intergovernmental receipts in 2008. Miscellaneous receipts and interest make up the balance of the Library's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Library and the support services provided for the other Government activities. These include the costs of public service programs, facility operation and maintenance, as well as internal services such as payroll and purchasing.

Southeast Regional Library System
Management's Discussion and Analysis
June 30, 2009 and 2008 (Unaudited)

Governmental Activities

If you look at the Statement of Activities on pages 10 and 18, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for salaries and purchased and contract services, which account for 51.4 and 31.9 percent for 2009 and 38.7 and 27.9 percent for 2008 of all governmental disbursements, respectively. The next 2 columns of the Statement entitled Program Receipts and Capital Grants and Contributions identifies amounts paid by people who are directly charged for the service or grants provided for operation. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by the State Library and Local Government Support Fund and other receipts. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2009	Net Cost of Services 2009
	<u>2009</u>	<u>2009</u>
Current		
Salaries	\$133,399	\$133,399
Employee Fringe Benefits	38,468	38,468
Purchased and Contract Services	82,803	57,976
Library Materials and Information	1,040	(482)
Supplies	2,149	1,964
Other	150	(69)
Capital Outlay	1,622	1,622
Total Expenses	<u>\$259,631</u>	<u>\$232,878</u>

Governmental Activities

	Total Cost Of Services 2008	Net Cost of Services 2008
	<u>2008</u>	<u>2008</u>
Current		
Salaries	\$115,160	\$115,160
Employee Fringe Benefits	34,396	34,396
Purchased and Contract Services	82,981	56,674
Library Materials and Information	716	(19)
Supplies	7,326	6,631
Other	1,292	(33)
Capital Outlay	55,916	30,916
Total Expenses	<u>\$297,786</u>	<u>\$243,725</u>

The dependence upon intergovernmental receipts is apparent as over 89 percent of governmental activities in 2009 and 81 percent of governmental activities in 2008 are supported through these general receipts.

The Library's Funds

Total governmental funds had receipts of \$264,436 and disbursements of \$259,631 for 2009. The fund balance of the General Fund increased \$7,993 as the result of efforts to contain costs and careful spending.

Total governmental funds had receipts of \$282,021 and disbursements of \$297,787 for 2008. The fund balance of the General Fund increased \$10,041 as the result of efforts to contain costs and careful spending.

General Fund Budgeting Highlights

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

During 2009 and 2008, the Library amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were more than original budgeted receipts due to unexpected increases in Intergovernmental receipts from State of Ohio.

Final disbursements were budgeted at \$91,657 while actual disbursements were \$24,916 in 2009, and final disbursements were budgeted at \$122,468 while actual disbursements were \$59,430 in 2008. The Library's spending was significantly less than budgeted. Budgeted expenditures did not change significantly in 2009 as demonstrated by the original budget amounts as compared to the final budgeted amounts but changed in 2008 to account for a \$25,000 grant that was used for equipment purchases.

Capital Assets and Debt Administration

Capital Assets

The Library does not currently keep track of its capital assets and infrastructure.

Debt

At June 30, 2009, the Library has no outstanding debt.

Current Issues

As the preceding information shows, the Library heavily depends on intergovernmental monies. The four Regional Libraries are a line item on the State Library of Ohio's budget. That line item was cut in 2010 indicating State Library and Local Government Support Fund revenues for SERLS will decline in the next two years.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mandy Sabine, Clerk-Treasurer, Southeast Regional Library System, 252 West 13th Street, Wellston, Ohio 45692, or e-mail at ctserls@oplin.org.

Southeast Regional Library System, Jackson County

Statement of Net Assets - Cash Basis

June 30, 2009

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 110,278
<i>Total Assets</i>	<u>\$ 110,278</u>
Net Assets	
Restricted for:	
Capital Projects	\$ 931
Other Purposes	17,970
Unrestricted	<u>91,377</u>
<i>Total Net Assets</i>	<u>\$ 110,278</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County

Statement of Activities - Cash Basis

For the Year Ended June 30, 2009

	Cash Disbursements	Program Cash Receipts Charges for Services and Sales	Net (Disbursements) Receipts and Changes in Net Assets Governmental Activities
Governmental Activities			
Salaries	\$ 133,399	\$	\$ (133,399)
Employee Fringe Benefits	38,468		(38,468)
Purchased and Contracted Services	82,803	24,827	(57,976)
Library Materials and Information	1,040	1,522	482
Supplies	2,149	185	(1,964)
Other	150	219	69
Capital Outlay	1,622		(1,622)
<i>Total Governmental Activities</i>	<u>\$ 259,631</u>	<u>\$ 26,753</u>	(232,878)
		General Receipts	
		Intergovernmental Revenue	232,777
		Interest	1,236
		Miscellaneous	3,670
		<i>Total General Receipts</i>	<u>237,683</u>
		Change in Net Assets	4,805
		<i>Net Assets Beginning of Year</i>	<u>105,473</u>
		<i>Net Assets End of Year</i>	<u>\$ 110,278</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

June 30, 2009

	<u>General</u>	<u>State</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 91,377	\$ 17,970	\$ 931	\$ 110,278
<i>Total Assets</i>	<u>\$ 91,377</u>	<u>\$ 17,970</u>	<u>\$ 931</u>	<u>\$ 110,278</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$	\$ 17,970	\$	\$ 17,970
Unreserved:				
Undesignated, Reported in:				
General Fund	91,377			91,377
Capital Projects Funds			931	931
<i>Total Fund Balances</i>	<u>\$ 91,377</u>	<u>\$ 17,970</u>	<u>\$ 931</u>	<u>\$ 110,278</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	General	Special Revenue State	Building Fund	Total Governmental Funds
Receipts				
Intergovernmental	\$ 1,250	\$ 231,527	\$	\$ 232,777
Patron Fines and Fees	12,463			12,463
Services Provided to Other Entities	14,290			14,290
Earnings on Investments	1,236			1,236
Miscellaneous	3,670			3,670
<i>Total Receipts</i>	<u>32,909</u>	<u>231,527</u>	<u>0</u>	<u>264,436</u>
Disbursements				
Current:				
Salaries	5,750	127,649		133,399
Employee Fringe Benefits	888	37,580		38,468
Purchased & Contracted Services	16,961	56,748	9,094	82,803
Library Materials and Information	1,040			1,040
Supplies	127	2,022		2,149
Other	150			150
Capital Outlay		1,622		1,622
<i>Total Disbursements</i>	<u>24,916</u>	<u>225,621</u>	<u>9,094</u>	<u>259,631</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	7,993	5,906	(9,094)	4,805
<i>Fund Balances Beginning of Year</i>	<u>83,384</u>	<u>12,064</u>	<u>10,025</u>	<u>105,473</u>
<i>Fund Balances End of Year</i>	<u>\$ 91,377</u>	<u>\$ 17,970</u>	<u>\$ 931</u>	<u>\$ 110,278</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual - Budget Basis

General Fund

For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Intergovernmental	\$	\$ 1,250	\$ 1,250	\$ 0
Patron Fines and Fees	9,838	12,463	12,463	0
Services Provided to Other Entities	14,607	14,290	14,290	0
Earnings on Investments	1,000	1,236	1,236	0
Miscellaneous	2,816	3,670	3,670	0
<i>Total Receipts</i>	<u>28,261</u>	<u>32,909</u>	<u>32,909</u>	<u>0</u>
Disbursements				
Current:				
Salaries	5,750	5,750	5,750	0
Employee Fringe Benefits	10,888	10,888	888	10,000
Purchased and Contracted Services	28,171	28,121	16,961	11,160
Library Material and Information	3,750	3,750	1,040	2,711
Supplies	1,250	1,250	127	1,123
Other	4,000	4,050	150	3,900
Contingency	37,848	37,848		37,848
<i>Total Disbursements</i>	<u>91,657</u>	<u>91,657</u>	<u>24,916</u>	<u>66,741</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(63,396)	(58,748)	7,993	66,742
<i>Fund Balance Beginning of Year</i>	<u>83,384</u>	<u>83,384</u>	<u>83,384</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 19,988</u>	<u>\$ 24,636</u>	<u>\$ 91,377</u>	<u>\$ 66,742</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual - Budget Basis

State Fund

For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Intergovernmental	\$ 231,527	\$ 231,527	\$ 231,527	\$ 0
<i>Total Receipts</i>	<u>231,527</u>	<u>231,527</u>	<u>231,527</u>	<u>0</u>
Disbursements				
Current:				
Salaries	129,379	129,379	131,869	(2,490)
Employee Fringe Benefits	35,428	37,000	40,682	(3,682)
Purchased and Contracted Services	74,784	71,570	62,748	8,822
Supplies	2,000	2,000	5,212	(3,212)
Capital Outlay	2,000	3,642	3,080	562
<i>Total Disbursements</i>	<u>243,591</u>	<u>243,591</u>	<u>243,591</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(12,064)</u>	<u>(12,064)</u>	<u>(12,064)</u>	<u>0</u>
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	12,064	12,064	12,064	0
<i>Fund Balance End of Year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County

Statement of Fiduciary Net Assets - Cash Basis

Fiduciary Fund

June 30, 2009

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 1,348</u>
Net Assets	
Unrestricted	<u>\$ 1,348</u>

See accompanying notes to the basic financial statements

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Southeast Regional Library System, Jackson County

Statement of Net Assets - Cash Basis

June 30, 2008

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 105,473
<i>Total Assets</i>	<u>\$ 105,473</u>
Net Assets	
Restricted for:	
Capital Projects	\$ 10,025
Other Purposes	12,064
Unrestricted	<u>83,384</u>
<i>Total Net Assets</i>	<u>\$ 105,473</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County
Statement of Activities - Cash Basis
For the Year Ended June 30, 2008

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Capital Grants and Contributions	Charges for Services and Sales	
Governmental Activities				
Salaries	\$ 115,160	\$	\$	\$ (115,160)
Employee Fringe Benefits	34,396			(34,396)
Purchased and Contracted Services	82,981		26,307	(56,674)
Library Materials and Information	716		735	19
Supplies	7,326		695	(6,631)
Other	1,292		1,325	33
Capital Outlay	55,916	25,000		(30,916)
<i>Total Governmental Activities</i>	<u>\$ 297,787</u>	<u>\$ 25,000</u>	<u>\$ 29,062</u>	(243,725)
		General Receipts		
		Intergovernmental Revenue		219,643
		Interest		5,593
		Miscellaneous		2,723
		<i>Total General Receipts</i>		227,959
		Change in Net Assets		(15,766)
		<i>Net Assets Beginning of Year</i>		121,239
		<i>Net Assets End of Year</i>		<u>\$ 105,473</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

June 30, 2008

	<u>General</u>	<u>Special Revenue State</u>	<u>Building Fund</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 83,384	\$ 12,064	\$ 10,025	\$ 105,473
<i>Total Assets</i>	<u>\$ 83,384</u>	<u>\$ 12,064</u>	<u>\$ 10,025</u>	<u>\$ 105,473</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$	\$ 12,064	\$ 1,547	\$ 13,611
Unreserved:				
Undesignated, Reported in:				
General Fund	83,384			83,384
Capital Projects Funds			8,478	8,478
<i>Total Fund Balances</i>	<u>\$ 83,384</u>	<u>\$ 12,064</u>	<u>\$ 10,025</u>	<u>\$ 105,473</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2008

	General	Special Revenue State	Building Fund	Total Governmental Funds
Receipts				
Intergovernmental	\$ 32,450	\$ 212,193	\$	\$ 244,643
Patron Fines and Fees	10,010			10,010
Services Provided to Other Entities	19,052			19,052
Earnings on Investments	5,593			5,593
Miscellaneous	2,366		357	2,723
<i>Total Receipts</i>	<u>69,471</u>	<u>212,193</u>	<u>357</u>	<u>282,021</u>
Disbursements				
Current:				
Salaries		115,160		115,160
Employee Fringe Benefits	5,833	28,563		34,396
Purchased & Contracted Services	25,660	54,949	2,372	82,981
Library Material & Information	716			716
Supplies	679	6,647		7,326
Other	1,292			1,292
Capital Outlay	25,250	30,666		55,916
<i>Total Disbursements</i>	<u>59,430</u>	<u>235,985</u>	<u>2,372</u>	<u>297,787</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	10,041	(23,792)	(2,015)	(15,766)
<i>Fund Balances Beginning of Year</i>	<u>73,343</u>	<u>35,856</u>	<u>12,040</u>	<u>121,239</u>
<i>Fund Balances End of Year</i>	<u>\$ 83,384</u>	<u>\$ 12,064</u>	<u>\$ 10,025</u>	<u>\$ 105,473</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual - Budget Basis

General Fund

For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Intergovernmental	\$ 25,000	\$ 32,450	\$ 32,450	\$ 0
Patron Fines and Fees	10,574	10,010	10,010	0
Services Provided to Other Entities	16,378	15,029	19,052	4,023
Earnings on Investments	1,500	5,593	5,593	0
Miscellaneous	1,000	6,389	2,366	(4,023)
<i>Total Receipts</i>	<u>54,452</u>	<u>69,471</u>	<u>69,471</u>	<u>0</u>
Disbursements				
Current:				
Salaries	22,989	22,989		22,989
Employee Fringe Benefits	200	200	5,833	(5,633)
Purchased and Contracted Services	39,892	43,201	25,660	17,541
Library Material and Information	900	650	716	(66)
Supplies	3,567	3,567	679	2,888
Other	550	1,735	1,292	443
Capital Outlay		25,250	25,250	
Contingency	25,251	24,876		24,876
<i>Total Disbursements</i>	<u>93,349</u>	<u>122,468</u>	<u>59,430</u>	<u>63,038</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(38,897)</u>	<u>(52,997)</u>	<u>10,041</u>	<u>63,038</u>
<i>Fund Balance Beginning of Year</i>	71,144	71,144	71,144	0
Prior Year Encumbrances Appropriated	2,199	2,199	2,199	0
<i>Fund Balance End of Year</i>	<u>\$ 34,446</u>	<u>\$ 20,346</u>	<u>\$ 83,384</u>	<u>\$ 63,038</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County

Statement of Receipts, Disbursements and Changes

In Fund Balance - Budget and Actual - Budget Basis

State Fund

For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Intergovernmental	\$ 252,610	\$ 212,193	\$ 212,193	\$ 0
<i>Total Receipts</i>	<u>252,610</u>	<u>212,193</u>	<u>212,193</u>	<u>0</u>
Disbursements				
Current:				
Salaries	125,250	119,539	119,539	0
Employee Fringe Benefits	43,670	30,549	29,326	1,223
Purchased and Contracted Services	92,396	61,661	61,871	(210)
Supplies	7,760	5,907	6,647	(740)
Capital Outlay	19,390	30,393	30,666	(273)
<i>Total Disbursements</i>	<u>288,466</u>	<u>248,049</u>	<u>248,049</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(35,856)</u>	<u>(35,856)</u>	<u>(35,856)</u>	<u>0</u>
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	<u>35,856</u>	<u>35,856</u>	<u>35,856</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

Southeast Regional Library System, Jackson County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Fund
June 30, 2008

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ <u>2,675</u>
Net Assets	
Unrestricted	\$ <u>2,675</u>

See accompanying notes to the basic financial statements

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**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

Note 1 – Description Of The Library And Reporting Entity

The Southeast Regional Library System, Jackson County, Ohio (the Library), is an area regional library system created and governed according to the provisions of Ohio Rev. Code § 3375.90. Under the provisions of Ohio Rev. Code § 3375.90, an area regional library system is subject to the record keeping procedures prescribed by the Auditor of State and is subject to audit.

The Library is composed of libraries in the Ohio counties of Athens, Belmont, Delaware, Fairfield, Franklin, Gallia, Guernsey, Hocking, Jackson, Jefferson, Lawrence, Licking, Meigs, Monroe, Morgan, Muskingum, Noble, Perry, Pickaway, Pike, Ross, Scioto, Vinton, and Washington, and derives its power from Ohio Rev. Code § 3375.90, and other relevant sections.

The Board of Trustees consists of up to fifteen appointed members. Public libraries (maximum of 12 seats) board members will be comprised of pay members and rotational by alphabetical order of legal library name with the seats divided equally between three size categories (small, medium, large) determined by FTE's using the most current statistical report provided by the State Library of Ohio. The initial start-up terms will be staggered for one, two, and three years, then after the third year of existence all terms will be for three years. The Board can also include three additional members: one member from the collective member school libraries; one member from the collective member academic libraries; and one member from the collective member special libraries. These members are appointed for one year terms.

The Library utilizes the standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

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

Note 2 – Summary Of Significant Accounting Policies

As discussed further in Note 2C, the financial statements of the Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

The most significant of the Library's accounting policies are described below.

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

Note 2 – Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through intergovernmental receipts and other nonexchange transactions

The statement of net assets presents the cash balance of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column.

B. Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Library's funds are divided into two categories, governmental and fiduciary.

Governmental Funds

Governmental funds are financed primarily from intergovernmental receipts (e.g. grants), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

General Fund - The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

Note 2 – Summary of Significant Accounting Policies (Continued)

State Fund – This fund received money from the State for operating expenses of the Library.

Building Fund - The building and repair fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Library's own programs. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Library's agency fund accounts for money received from participating member libraries to pay insurance expenses of the user group.

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds (except agency funds) are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund, function and object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Clerk-Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Trustees during the year.

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

Note 2 – Summary of Significant Accounting Policies (Continued)

E. Cash and Cash Equivalents

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

F. Inventory and Prepaid Items

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Library's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

K. Fund Balance Reserves

The Library reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the General Fund and any major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances that are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The table below presents those differences for the Library’s State Fund:

	State Fund
June 30, 2009:	
Budgetary Basis Fund Balance	\$ 0
Encumbrances	17,970
Fund Cash Balance	<u>\$ 17,970</u>
June 30, 2008:	
Budgetary Basis Fund Balance	\$ 0
Encumbrances	12,064
Fund Cash Balance	<u>\$ 12,064</u>

Note 4 - Deposits and Investments

State statutes classify monies held by the Library into three categories.

Active deposits are public deposits necessary to meet current demands on the Library treasury. Such monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

Note 4 - Deposits and Investments (Continued)

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio).

Protection of the Library's deposits is provided by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

At June 30, 2009, the carrying amount of the Library's deposits was \$111,626 and the bank balance was \$117,981. At June 30, 2008, the carrying amount of the Library's deposits was \$108,148 and the bank balance was \$111,785. The bank balances were covered by federal deposit insurance.

Note 5 - Risk Management

Commercial Insurance

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

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

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

Note 5 - Risk Management (Continued)

The Library also provides health insurance to full-time employees through a private carrier.

Settled claims have not exceeded coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

Note 6 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Plan Description - The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2008, members in state and local classifications contributed 10 percent of covered payroll.

The Library's contribution rate for 2009 and 2008 was 14 percent of covered payroll. For the period July 1, through December 31, 2007, a portion of the Library's contribution equal to 6 percent of covered payroll was allocated to fund the postemployment healthcare plan; for the period January 1, 2008 through June 30, 2009, this amount was increased to 7 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Library of 14 percent.

The Library's required contributions for pension obligations to the traditional and combined plans for the years ended June 30, 2009, 2008, and 2007 were \$18,305, \$16,062, and \$15,944 respectively.

Note 7 – Postemployment Benefits

Plan Description - OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

Note 7 – Postemployment Benefits (Continued)

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222 – 7377.

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009 and 2008, local government employers contributed 14 percent of covered payroll. Each year, the OPERS Retirement Board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 7 percent of covered payroll from January 1, 2008 through June 30, 2009.

The Retirement Board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage.

The Library's contributions allocated to fund postemployment healthcare benefits for the years ended June 30, 2009, 2008, and 2007 were \$9,153, \$7,506, and \$6,331 respectively; 100 percent has been contributed for 2009 and 2008.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.



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*

Southeast Regional Library System
Jackson County
252 W. 13th Street
Wellston, Ohio 45692

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Southeast Regional Library System, Jackson County, Ohio (the Library), as of and for the years ended June 30, 2009 and 2008, which collectively comprise the Library's basic financial statements and have issued our report thereon dated March 2, 2010. 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 expressing our opinions 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.

We did note a certain internal control matter that we reported to the Library's management in a separate letter dated March 2, 2010.

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 did note certain noncompliance or other matters that we reported to the Library's management in a separate letter dated March 2, 2010.

We intend this report solely for the information and use of the audit committee, 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

March 2, 2010



Mary Taylor, CPA
Auditor of State

SOUTHEAST REGIONAL LIBRARY SYSTEM

JACKSON 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 16, 2010**