



**NOLA REGIONAL LIBRARY SYSTEM
TRUMBULL COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
800-443-9271
Facsimile 330-797-9949
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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, Trumbull County, Ohio, (the Library System) as of and for the year ended June 30, 1999. These financial statements are the responsibility of the Library System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards 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 System 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 of the Library System as of June 30, 1999, 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 6, 1999 on our consideration of the Library System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts.

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.

Jim Petro
Auditor of State

December 6, 1999

**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, 1999**

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Expendable Trust</u>	
Cash Receipts:				
Federal Government Grants-In-Aid	0	236,028	0	236,028
State Government Grants-In-Aid	0	127,357	0	127,357
Local Government Grants-In-Aid	0	217,294	0	217,294
Patron Fines and Fees	66,424	0	0	66,424
Earnings on Investments	11,065	0	658	11,723
Refunds And Reimbursement	16,853	0	0	16,853
Miscellaneous Receipts	9,321	0	0	9,321
Total Cash Receipts	<u>103,663</u>	<u>580,679</u>	<u>658</u>	<u>685,000</u>
Cash Disbursements:				
Current:				
Salaries and Benefits	4,924	261,710	0	266,634
Purchased and Contracted Services	31,888	233,408	0	265,296
Supplies	1,095	12,252	0	13,347
Library Material & Information	18,774	47,434	0	66,208
Miscellaneous	107	2,027	0	2,134
Capital Outlay	31,442	47,501	0	78,943
Total Cash Disbursements	<u>88,230</u>	<u>604,332</u>	<u>0</u>	<u>692,562</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>15,433</u>	<u>(23,653)</u>	<u>658</u>	<u>(7,562)</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Sales of Property	1,874	0	0	1,874
Total Other Financing Receipts/(Disbursements)	<u>1,874</u>	<u>0</u>	<u>0</u>	<u>1,874</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>17,307</u>	<u>(23,653)</u>	<u>658</u>	<u>(5,688)</u>
Fund Cash Balances, July 1	<u>112,167</u>	<u>37,372</u>	<u>4,385</u>	<u>153,924</u>
Fund Cash Balances, June 30	<u><u>\$129,474</u></u>	<u><u>\$13,719</u></u>	<u><u>\$5,043</u></u>	<u><u>\$148,236</u></u>

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

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Nola Regional Library System, Trumbull County, (the Library System) 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, Mahoning, Portage, and Trumbull counties. The Library System 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 which 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 System's management believes these financial statements present all activities for which the Library System 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.

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. Except gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

The Library System uses fund accounting to segregate cash and investments that are restricted as to use. The Library System 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (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 System had the following significant Special Revenue Funds: a Local fund that accounts for all restricted local monies, a State fund that accounts for all restricted state monies, and a Federal fund that accounts for all restricted Federal monies.

3. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Library System to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Library System is acting in an agency capacity are classified as agency funds. The Library System had the following significant fiduciary funds: an expendable trust fund that accounts for monies provided by various organizations to expand local library data bases.

E. Budgetary Process

The Ohio Administrative Code requires that each fund be budgeted annually.

1. Budget

On or before the first day of March preceding each fiscal year, the Library System 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 March 31 and the Library System signs all the necessary contracts with the State Library.

2. Appropriations

The annual appropriation measure to control cash disbursements is passed each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations are limited to estimated receipts and prior year's unencumbered cash balance.

3. Encumbrances

The Library System uses the encumbrance method of accounting. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Library System.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library System 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, 1999 follows:

Demand deposits	\$17,506
Certificates of deposit	<u>57,637</u>
Total deposits	<u>75,143</u>
STAR Ohio	<u>73,093</u>
Total investments	<u>73,093</u>
Total deposits and investments	<u><u>\$148,236</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

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

3. RETIREMENT SYSTEM

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 also prescribed by the Ohio Revised Code. The Library System's PERS members contributed 8.5% of their gross salaries. The Library System contributed an amount equal to 13.55% of participants' gross salaries. The Library System has paid all contributions required through June 30, 1999.

4. RISK MANAGEMENT

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

- Comprehensive property and general liability
- Errors and omissions

The Library System also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

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Voinovich Government Center
242 Federal Plaza West
Suite 302
Youngstown, Ohio 44503
Telephone 330-797-9900
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Facsimile 330-797-9949
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS 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, Trumbull County, Ohio (the Library System), as of and for the year ended June 30, 1999, and have issued our report thereon dated December 6, 1999. We conducted our audit in accordance with generally accepted auditing standards 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 System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 System'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. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Library System in a separate letter dated December 6, 1999.

This report is intended 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.

JIM PETRO
Auditor of State

December 6, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
JANUARY 20, 2000**