



**Auditor of State
Betty Montgomery**

MOLO REGIONAL LIBRARY SYSTEM
COSHOCKTON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances All Governmental Fund Types For the Year Ended June 30, 2006.....	5
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

MOLO Regional Library System
Coshocton County
655 Main Street
Coshocton, Ohio 43812

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 a February 2, 2005 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 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.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 6, 2006

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

MOLO Regional Library System
Coshocton County
655 Main Street
Coshocton, Ohio 43812

To the Board of Trustees:

We have audited the accompanying financial statements of MOLO Regional Library System, Coshocton County, Ohio, (the Library System) as of and for the year ended June 30, 2006. 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 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.

Revisions to GAAP would require the Library System to reformat its financial statement presentation and make other changes effective for the year ended June 30, 2006. Instead of the combined funds the accompanying financial statements present for 2006, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006. While the Library System does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Library System has elected not to reformat its statements. Since this Library System does not use GAAP to measure financial statement amounts, 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.

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001
www.auditor.state.oh.us

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended June 30, 2006 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library System as of June 30, 2006, 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 MOLO Regional Library System, Coshocton County, as of June 30, 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Library System to include Management's Discussion and Analysis for the year ended June 30, 2006. The Library System 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 6, 2006, 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, 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.



Betty Montgomery
Auditor of State

November 6, 2006

**MOLO REGIONAL LIBRARY SYSTEM
COSHOCOTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental		\$111,351	\$111,351
Membership Dues and Fees	\$1,911		1,911
Earnings on Investments	266		266
Donations	200		200
Total Cash Receipts	<u>2,377</u>	<u>111,351</u>	<u>113,728</u>
Cash Disbursements:			
Current:			
Salaries and Benefits	41,533	26,319	67,852
Purchased and Contracted Services	18,824	83,983	102,807
Other Objects	17,340	1,049	18,389
Total Cash Disbursements	<u>77,697</u>	<u>111,351</u>	<u>189,048</u>
Total Cash Receipts (Under) Cash Disbursements	<u>(75,320)</u>	<u>0</u>	<u>(75,320)</u>
Other Financing Receipts/(Disbursements):			
Advances-In	16,893	16,893	33,786
Advances-Out	(16,893)	(16,893)	(33,786)
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements	<u>(75,320)</u>		<u>(75,320)</u>
Fund Cash Balances, January 1	<u>88,016</u>		<u>88,016</u>
Fund Cash Balances, December 31	<u>\$12,696</u>	<u>\$0</u>	<u>\$12,696</u>
Reserves for Encumbrances, December 31	<u>\$1,639</u>	<u>\$0</u>	<u>\$1,639</u>

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

This page intentionally left blank.

**MOLO REGIONAL LIBRARY SYSTEM
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the MOLO Regional Library System, Coshocton County, (the Library System) as a body corporate and politic. The Library System is governed by an appointed eleven-member Board of Trustees. The Board composition includes seven members representing public libraries and four members representing non-public libraries. Board members serve a term of three years and cannot serve longer than two consecutive terms. The Library System provides its membership various educational and technological resources.

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 the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements basis. The Library System recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash

The Library System maintains cash in a business checking account.

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 accounts for 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 trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library System had the following significant Special Revenue Fund:

State Fund – This fund receives state funded monies for operational and administrative costs, continuing education, and library resources.

**MOLO REGIONAL LIBRARY SYSTEM
COSHOCKTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Library System is required to file a budget with the State Library Board during May of the preceding fiscal year. Budgetary basis expenditures may not exceed appropriations at the fund or function level of control.

A summary of 2006 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Library System 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 CASH

The District maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 follows:

	2006
Demand deposits	\$12,696

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2006 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,100	\$2,377	\$277
Special Revenue	111,350	111,351	1
Total	\$113,450	\$113,728	\$278

**MOLO REGIONAL LIBRARY SYSTEM
COSHOCTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$84,700	\$79,336	\$5,364
Special Revenue	114,663	111,351	3,312
Total	\$199,363	\$190,687	\$8,676

4. RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. The Ohio Revised Code prescribes retirement benefits for vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees as the Ohio Revised Code prescribes.

The Ohio Revised Code also prescribes contribution rates. The Library System's OPERS members contributed 8.5 percent of their gross salaries which was increased to 9.0 percent on January 1, 2006. The Library System contributed an amount equal to 13.55 percent of participants' gross salaries which was increased to 13.70 percent on January 1, 2006. The Library System has paid all contributions required through June 30, 2006.

5. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the state government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

6. SUBSEQUENT EVENT

The Library System was dissolved as of June 30, 2006 by Board of Trustees action upon the establishment of the newly chartered Northeast Ohio (NEO) Regional Library System. On April 25, 2006, the Board of Trustees voted to transfer all remaining monies to the Northeast Regional Library System after payment of all expenses of the Library System. The Board of Trustees also voted that all physical assets would remain at the Newcomerstown office for the use of the NEO satellite office.

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

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

MOLO Regional Library System
Coshocton County
655 Main Street
Coshocton, Ohio 43812

To the Board of Trustees:

We have audited the financial statements of MOLO Regional Library System, Coshocton County, Ohio, (the Library System) as of and for the year ended June 30, 2006, and have issued our report thereon dated November 6, 2006, wherein we noted the Library System followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Library System's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Library System'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*.

MOLO Regional Library System
Coshocton County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management and the Board of Trustees. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

November 6, 2006



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

MOLO REGIONAL LIBRARY SYSTEM

COSHOCTON 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 19, 2006**