



Mary Taylor, CPA
Auditor of State

**SOLO REGIONAL LIBRARY SYSTEM
NOBLE 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
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended June 30, 2005.....	6
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
Schedule of Findings.....	13

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

SOLO Regional Library System
Noble County
40774 Marietta Road
Caldwell, Ohio 43724

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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 5, 2007

This page intentionally left blank.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

SOLO Regional Library System
Noble County
40774 Marietta Road
Caldwell, Ohio 43724

To the Board of Trustees:

We have audited the accompanying financial statements of SOLO Regional Library System, Noble County, Ohio (the Regional Library System), as of and for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of the Regional 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 Regional Library System 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 Regional Library System to reformat its financial statement presentation and make other changes effective for the years ended June 30, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Regional 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 Regional Library System has elected not to reformat its statements. Since this Regional 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.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Regional Library System as of June 30, 2006 and 2005, 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 SOLO Regional Library System, Noble County, as of June 30, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Effective June 30, 2006, the Regional Library System dissolved and became part of the Southeast Regional Library System, as more fully described in Note 7.

The aforementioned revision to generally accepted accounting principles also requires the Regional Library System to include Management's Discussion and Analysis for the years ended June 30, 2006 and 2005. The Regional 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 February 5, 2007, on our consideration of the Regional 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.



Mary Taylor, CPA
Auditor of State

February 5, 2007

**SOLO REGIONAL LIBRARY SYSTEM
NOBLE 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	\$55,655	\$84,978	\$140,633
Earnings on Investments	857		857
Miscellaneous Receipts	220		220
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	56,732	84,978	141,710
Cash Disbursements:			
Current:			
Salaries and Benefits	7,322	46,641	53,963
Purchased and Contracted Services	61,050	29,530	90,580
Library Materials and Information	14,974	6,834	21,808
Supplies	9,032		9,032
Other Objects	33,576		33,576
Capital Outlay	140		140
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	126,094	83,005	209,099
Total Cash Receipts Over/(Under) Cash Disbursements	(69,362)	1,973	(67,389)
Other Financing Receipts/(Disbursements):			
Transfers-In	3,880		3,880
Transfers-Out		(3,880)	(3,880)
Other Financing Uses - Cash to SERLS		(7,316)	(7,316)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	3,880	(11,196)	(7,316)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(65,482)	(9,223)	(74,705)
Fund Cash Balances, July 1	65,482	9,223	74,705
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, June 30	\$0	\$0	\$0

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

**SOLO REGIONAL LIBRARY SYSTEM
NOBLE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental	\$67,144	\$151,596	\$218,740
Earnings on Investments	636		636
Miscellaneous Receipts	2,424		2,424
Total Cash Receipts	<u>70,204</u>	<u>151,596</u>	<u>221,800</u>
Cash Disbursements:			
Current:			
Salaries and Benefits	6,887	62,746	69,633
Purchased and Contracted Services	24,770	54,589	79,359
Library Materials and Information	7,440	19,153	26,593
Supplies	6,602	1,403	8,005
Capital Outlay	14,335	7,204	21,539
Total Cash Disbursements	<u>60,034</u>	<u>145,095</u>	<u>205,129</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>10,170</u>	<u>6,501</u>	<u>16,671</u>
Fund Cash Balances, July 1	<u>55,312</u>	<u>2,722</u>	<u>58,034</u>
Fund Cash Balances, June 30	<u>\$65,482</u>	<u>\$9,223</u>	<u>\$74,705</u>
Reserves for Encumbrances, June 30	<u>\$484</u>	<u>\$7,278</u>	<u>\$7,762</u>

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

**SOLO REGIONAL LIBRARY SYSTEM
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The SOLO Regional Library System, Noble County (the Regional Library System), is a regional library system jointly created and jointly governed according to the provisions of Ohio Rev. Code Section 3375.90 through 3375.93. The Regional Library System is composed of thirteen legally separate libraries with in Southeast Ohio: Barnesville Hutton Memorial Library, Bellaire Public Library, Caldwell Public Library, Guernsey County District Library, Kate Love Simpson Library, Martins Ferry Public Library, Monroe County District Library, Newark Public Library, Perry County District Library, Public Library of Steubenville and Jefferson County, Puskarich Public Library, St. Clairsville Public Library, and Washington County Public Library. The Regional Library System is governed by a thirteen member Board of Trustees selected by the Librarians Council which consists of the Regional Library System administrators or a representative from each member library. The Regional Library System provides annual training workshops for member library employees, technical training and assistance, a central graphics center, and coordinates the delivery of intra-library books.

The Regional Library System's management believes these financial statements present all activities for which the Regional 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 Regional Library System recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

Money market mutual funds (including STAROhio) are recorded at share values the mutual fund reports.

D. Fund Accounting

The Regional Library System uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

1. General Fund

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

**SOLO REGIONAL LIBRARY SYSEM
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

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 had the following significant Special Revenue Funds:

State Library Fund – This fund receives money from the State Library of Ohio for operating expenses of the Regional Library System. By agreement with the State Library of Ohio these monies are to be accounted for in a separate fund.

EBook Grant Fund – This fund receives money from the State Library of Ohio for purchasing electronic versions of print books that can be downloaded and read on a computer.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Library 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 AND INVESTMENTS

The Library maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 follows:

	<u>2006</u>	<u>2005</u>
Demand deposits	\$0	\$59,686
STAR Ohio	0	15,019
Total deposits and investments	<u>\$0</u>	<u>\$74,705</u>

**SOLO REGIONAL LIBRARY SYSTEM
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Library.

Investments: Investments in STAROhio are not evidenced by securities existing in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$54,621	\$60,612	\$5,991
Special Revenue	84,978	84,978	0
Total	\$139,599	\$145,590	\$5,991

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$55,025	\$126,094	(\$71,069)
Special Revenue	92,256	94,201	(1,945)
Total	\$147,281	\$220,295	(\$73,014)

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$60,000	\$70,204	\$10,204
Special Revenue	100,670	151,596	50,926
Total	\$160,670	\$221,800	\$61,130

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$77,894	\$60,518	\$17,376
Special Revenue	158,654	152,373	6,281
Total	\$236,548	\$212,891	\$23,657

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General Fund by \$71,069 and in the State Library Fund by \$1,945 at June 30, 2006.

**SOLO REGIONAL LIBRARY SYSEM
NOBLE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

4. STATE-AID

The primary source of revenue for the Regional Library System is state-aid from the State Library of Ohio. At the beginning of the fiscal year, the State Library outlines in their agreement with the Regional Library System the four quarterly amounts of state-aid that will be remitted by the State Library of Ohio to the Regional Library System. In the event that state funds become unavailable to the State Library of Ohio, the State Library of Ohio shall modify or cease the terms of the agreement based upon the financial restrictions imposed by the State of Ohio.

5. 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's OPERS members contributed 8.5 percent of their gross salaries. The Library contributed an amount equal to 13.55 percent of participants' gross salaries. The Library has paid all contributions required through June 30, 2006.

6. RISK MANAGEMENT

Commercial Insurance

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

- Comprehensive property and general liability; and
- Employee's dishonesty bond

7. DISSOLUTION OF THE REGIONAL LIBRARY SYSTEM

In the fall of 2005, the State Library of Ohio announced its plan to reduce the number of regional library systems from seven to four, effective June 30, 2006. This change required the Regional Library System to cease individual operations and merge into a new regional library system. On April 20, 2006 the Regional Library System Board of Trustees voted unanimously to dissolve the Regional Library System. Assets were spent to mutually benefit the member libraries of the Regional Library System and divided among the 13 participating member libraries. The Regional Library System building and computer equipment were given to the State Library of Ohio. The full-time director position was eliminated December 31, 2005 and contract staff positions were paid through June 30, 2006. After all expenses were paid, the remaining cash in the amount of \$7,315.62 was given to the newly formed Southeast Regional Library System (SERLS) to cover any unforeseen expenses and the final audit. In June and July, 2006, the Regional Library System records were shipped to SERLS for storage.



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*

SOLO Regional Library System
Noble County
40774 Marietta Road
Caldwell, Ohio 43724

To the Board of Trustees:

We have audited the financial statements of the SOLO Regional Library System, Noble County, Ohio (the Regional Library System), as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated February 5, 2007, wherein we noted the Regional Library System follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Regional 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. In a separate letter to the Regional Library System's management dated February 5, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Regional 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2006-001.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701-2157
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

SOLO Regional Library System
Noble 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 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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 5, 2007

**SOLO REGIONAL LIBRARY SYSTEM
NOBLE COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2006 AND 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2006-001

Noncompliance Citation

Ohio Admin. Code Section 117-8-02 states that the library's legislative body shall adopt appropriation measures. These measures establish the legal level of control (e.g., fund, program or function, department, object level) at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates.

Expenditures exceeded appropriations at the legal level of control at June 30, 2006, in the following funds:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$ 55,025	\$ 126,094	\$ (71,069)
State Library Fund	\$ 92,256	\$ 94,201	\$ (1,945)

Allowing expenditures to exceed appropriations could result in negative fund balances and the use of Library resources required for other purposes.

We recommend the Library monitor its appropriations and expenditures to ensure that expenditures do not exceed appropriations at the legal level of control.

Officials' Response: During the final phase of SOLO operations, carryover funds were expended to close the accounts. Failure to appropriate these funds was an oversight due, in part, to the abrupt timeframe and the unique situation. The error was completely unintentional.



Mary Taylor, CPA
Auditor of State

SOLO REGIONAL LIBRARY SYSTEM

NOBLE 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 1, 2007**