



Dave Yost • Auditor of State

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY**

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Dave Yost • Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

December 14, 2011

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Dave Yost • 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 Southeast Regional Library System, Jackson County, Ohio (the Library), as of and for the years ended June 30, 2011 and 2010. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Library has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity-wide statements and also presenting the Library's larger (i.e., major) funds separately. While the Library does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require libraries to reformat their statements. The Library has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Library as of June 30, 2011 and 2010 or its changes in financial position for the years then ended.

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Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the fund cash balances and reserves for encumbrances of the Southeast Regional Library System, Jackson County, Ohio, as of June 30, 2011 and 2010, and its cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

During 2010, the Library changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits.

The Library has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

December 14, 2011

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2011**

	General	Special Revenue	Capital Projects	Total Governmental Funds
Cash Receipts				
Intergovernmental	\$	\$ 145,617	\$	\$ 145,617
Patron Fines and Fees	3,375			3,375
Services Provided to Other Entities	8,000			8,000
Earnings on Investments	1,035			1,035
Miscellaneous	472			472
Total Cash Receipts	12,882	145,617	0	158,499
Disbursements				
Current:				
Salaries	484	73,444		73,928
Employee Fringe Benefits	75	12,393		12,468
Purchased & Contracted Services	5,702	27,254		32,956
Supplies	111	4,281		4,392
Other	17,101			17,101
Capital Outlay		25,241		25,241
Total Cash Disbursements	23,473	142,613	0	166,086
Excess of Cash Receipts Over (Under) Cash Disbursements	(10,591)	3,004	0	(7,587)
Fund Balances Beginning of Year	109,169	21,967	265	131,401
Fund Balances End of Year	\$ 98,578	\$ 24,971	\$ 265	\$ 123,814
Reserved for Encumbrances	\$ 0	\$ 24,971	\$ 0	\$ 24,971

See accompanying notes to the basic financial statements

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
AGENCY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2011**

	Fiduciary Fund Type
	Agency
Operating Cash Receipts:	
Services Provided to other entities	\$ 54,374
Total Operating Cash Receipts	54,374
Operating Cash Disbursements:	
Other	54,032
Total Operating Cash Disbursements	54,032
Operating Income/(Loss)	342
Net Receipts Over/(Under) Disbursements	342
Fund Cash Balances, July 1, 2010	765
Fund Cash Balances, June 30, 2011	\$ 1,107
Reserves for Encumbrances, June 30, 2011	\$ 539

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

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2010**

	General	Special Revenue	Capital Projects	Total Governmental Funds
Cash Receipts				
Intergovernmental	\$ 29,999	\$ 145,617	\$	\$ 175,616
Patron Fines and Fees	5,614			5,614
Services Provided to Other Entities	7,030			7,030
Earnings on Investments	1,059			1,059
Miscellaneous	2,647			2,647
Total Cash Receipts	<u>46,349</u>	<u>145,617</u>	<u>0</u>	<u>191,966</u>
Disbursements				
Current:				
Salaries	2,244	81,103		83,347
Employee Fringe Benefits	50	29,005		29,055
Purchased & Contracted Services	19,749	21,897		41,646
Supplies	2,502	4,234		6,736
Other	726			726
Capital Outlay	3,286	5,381	666	9,333
Total Cash Disbursements	<u>28,557</u>	<u>141,620</u>	<u>666</u>	<u>170,843</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	17,792	3,997	(666)	21,123
Fund Balances Beginning of Year	91,377	17,970	931	110,278
Fund Balances End of Year	<u>\$ 109,169</u>	<u>\$ 21,967</u>	<u>\$ 265</u>	<u>\$ 131,401</u>
Reserved for Encumbrances	<u>\$ 6,252</u>	<u>\$ 21,967</u>	<u>\$ 0</u>	<u>\$ 28,219</u>

See accompanying notes to the basic financial statements

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
AGENCY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2010**

	Fiduciary Fund Type
	Agency
Operating Cash Receipts:	
Services Provided to other entities	\$ 23,164
Total Operating Cash Receipts	23,164
Operating Cash Disbursements:	
Other	23,747
Total Operating Cash Disbursements	23,747
Operating Income/(Loss)	(583)
Net Receipts Over/(Under) Disbursements	(583)
Fund Cash Balances, July 1, 2009	1,348
Fund Cash Balances, June 30, 2010	\$ 765
Reserves for Encumbrances, June 30, 2010	\$ 39,223

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

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

1. Summary of Significant Accounting Policies

A. Description of the 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.

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Library recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Fund Accounting

The Library uses fund accounting to segregate cash that is restricted as to use. The Library classifies its funds into the following types:

1. General Fund

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

2. Special Revenue Fund

This fund accounts for money received from the State Library of Ohio's budget for operating expense of the Library.

3. Capital Projects Fund

This fund accounts for monies set aside by the Board of Library Trustees specifically for major capital and technology improvements.

4. Agency Fund

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.

D. 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, function, and object level of control.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. 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.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

The Library maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at June 30 was as follows:

	2011	2010
Demand deposits	\$124,921	\$132,166

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

3. Budgetary Activity

Budgetary activity for the years ending June 30, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$12,882	\$12,882	\$0
State Revenue Fund	145,617	145,617	0
Building Fund	0	0	0
Agency Fund	54,374	54,374	0
Total	\$212,873	\$212,873	\$0

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010
(Continued)**

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$130,169	\$23,473	\$106,696
State Revenue Fund	167,584	167,584	0
Building Fund	931	0	931
Agency Fund	57,189	54,571	2,618
Total	\$355,873	\$245,628	\$110,245

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$46,349	\$46,349	\$0
State Revenue Fund	145,617	145,617	0
Building Fund	0	0	0
Agency Fund	62,387	23,164	(39,223)
Total	\$254,353	\$215,130	(\$39,223)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$94,204	\$34,809	\$59,395
State Revenue Fund	163,588	163,587	1
Building Fund	931	666	265
Agency Fund	30,594	62,970	(32,376)
Total	\$289,317	\$262,032	\$27,285

4. Retirement System

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% and 10%, respectively, of their gross salaries and the Library contributed an amount equaling 14% and 14%, respectively, of participants' gross salaries. The Library has paid all contributions required through June 30, 2011.

**SOUTHEAST REGIONAL LIBRARY SYSTEM
JACKSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010
(Continued)**

5. Risk Management

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

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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 Southeast Regional Library System, Jackson County, Ohio (the Library) as of and for the years ended June 30, 2011 and 2010 and have issued our report thereon dated December, 14 2011, wherein we noted the Library changed its financial statement presentation method to conform to presentation methods the Auditor of State prescribes or permits. 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 deficiency in internal *control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the 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 matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated December 14, 2011.

We intend this report solely for the information and use of management, the audit committee, the Board of Trustees, and others within the Library. We intend it for no one other than these specified parties.

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Dave Yost
Auditor of State

December 14, 2011



Dave Yost • 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
DECEMBER 27, 2011