



**Auditor of State  
Betty Montgomery**



**NOLA REGIONAL LIBRARY SYSTEM  
TRUMBULL COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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 governmental activities, each major fund, and the aggregate remaining fund information of NOLA Regional Library System, Trumbull County, Ohio (the Library), as of and for the year ended June 30, 2005, 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 Comptroller General of the United States' *Government Auditing Standard*. 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 that 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 NOLA Regional Library System, Trumbull County, Ohio, as of June 30, 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, State Library Fund, and Know-it Now Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended June 30, 2005, the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2006, 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.

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Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America 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 "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 10, 2006

*NOLA Regional Library System  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005*

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This discussion and analysis of the NOLA Regional Library System's financial performance provides an overall review of the Library's financial activities for the year ended June 30, 2005, within the limitations of the Library's cash basis 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 2004-2005 are as follows:

Net assets less encumbrances of governmental activities increased \$81,433 or 10 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund, which realized the greatest increase in revenue from special projects such as *Listen Illinois* and *NIMMS*. Further, investment income, continuing education fees, and health insurance administrative fees came in higher than originally budgeted. The Library has also worked diligently to decrease costs in 2004-2005.

The Library's program receipts and general receipts are primarily membership dues, membership service fees, the bi-annual SLO (State Library of Ohio) contract, and the *24-7 Know it Now* SLO grant. These receipts represent respectively 82 and 18 percent of the total cash received for governmental activities during the year. Both the membership dues and the bi-annual SLO contract receipts for 2004-2005 decreased compared to 2003-2004. Membership dues have been decreasing due to the declining renewal membership of the Library's school members. Over the course of 4 years the SLO funding contract has been reduced over 40 percent.

The Library was awarded the *24-7 Know It Now Online Reference Service* grant from the State Library of Ohio in cooperation with Cleveland Public Library and Cuyahoga County Public Library. The service is federally funded through the State Library of Ohio. The *24-7 Know it Now* project is a 24 hr 7 day a week online reference service provided to all the citizens of the State of Ohio. The Library now employs two additional staff members to direct this new program bringing staff levels to 11 employees.

The Library signed a new 6 year contract with their landlord Attorney Todd Brainard at their current location. The Library will be adding an additional 1,500 square feet by leasing the location next door. Construction has commenced as of 7/1/2005 and all construction contracts and contractors are the responsibility of the owner (landlord). Estimated costs of the construction are \$100,000.00 less \$35,000.00 provided by the owner (landlord) for an estimated total of \$65,000.00.

The Library has been informed by the State Library of Ohio that potentially the State Library is looking into reorganizing the 7 regionals of the state of Ohio. The effect upon the Library could be significantly positive or negative depending on the changes made to the disbursement of state funds and the potential of regionals being combined. No further information on this matter is available at this time.

**Using the Basic Financial Statements**

This annual 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 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 Government as a Whole**

The statement of net assets and the statement of activities reflect how the Library did financially during 2004-2005, 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 paid by the recipient of the program's goods or services 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 activity 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 nonfinancial factors as well such as the Library's membership revenue base and the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources.

*NOLA Regional Library System  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005*

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In the statement of net assets and the statement of activities, we divide the Library into one type of activity:

Governmental activities. Most of the Library's basic services are reported here, including special project grants, continuing education, technology services. Local program fees, State Library funds, and federal/state grants finance these activities. Benefits provided through governmental activities are not necessarily paid for by the entities receiving them.

**Reporting the Government'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 split into two categories: 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 nonmajor 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 Library Funding Fund, and the 24-7 Know It Now Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Library. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Library's programs.

*NOLA Regional Library System  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005*

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**The Government as a Whole**

Table 1 provides a summary of the Regional Library's net assets for 2004-2005 compared to 2003-2004 on a cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities	
	2004-2005	2003-2004
<b>Assets</b>		
Cash and Cash Equivalents	\$959,034	\$807,891
Total Assets	959,034	807,891
<b>Net Assets</b>		
Restricted for:		
Other Purposes	71,756	12,351
Unrestricted	887,278	795,540
Total Net Assets	\$959,034	\$807,891

As mentioned previously, net assets less encumbrances of governmental activities increased \$81,433 or 11 percent during 2004-2005. The primary reasons contributing to the increases in cash balances are as follows:

- Unanticipated growth in *Listen Illinois* program. In 2004-2005 *Listen Illinois* contracted an additional \$18,000 in services that was not originally budgeted. *NIMMS* was a new program for 2004-2005 and was received well by the Library's membership.
- The Library generated \$51,277 in additional funds in the areas of continuing education, earning on investments and health insurance administrative fees. Once again these funds were unexpected and not originally budgeted.
- The Library was awarded \$11,656 in administrative funds to offset costs of the *24-7 Know It Now* program.

*NOLA Regional Library System  
Management's Discussion and Analysis  
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Table 2 reflects the changes in net assets in 2004-2005. Since the Library did not prepare financial statements in this format for 2003-2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)  
**Changes in Net Assets**

	Governmental Activities
	<u>2,004</u>
Program Receipts:	
24-7 KIN	\$342,695
CE Services	147,975
Periodicals/Prof Collection	
Technology Services	213,573
Support Services:	
Facilities Operation and Maintenance	12,938
Capital Outlay	2,522
Business Administration	141,989
Total Program Receipts	<u>\$861,692</u>
General Receipts:	
Unrestricted Membership Dues and Fees	149,455
Interest	22,297
Miscellaneous	13,396
Total General Receipts	<u>185,148</u>
 Total Receipts	 <u>1,046,840</u>
 Disbursements:	
Library Services:	
24-7 KIN	264,459
CE Services	188,322
Periodicals/Prof Collection	1,667
Technology Services	183,861
Support Services:	
Facilities Operation and Maintenance	26,786
Business Administration	212,252
Capitol Outlay	18,350
Total Disbursements	<u>895,697</u>
 Excess (Deficiency) Before Transfers	 <u>151,143</u>
Increase (Decrease) in Net Assets	151,143
 Net Assets, July 1, 2004	 <u>807,891</u>
Net Assets, June 30, 2005	<u><u>\$959,034</u></u>

*NOLA Regional Library System  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005*

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Program receipts represent 82 percent of total receipts and are primarily comprised of membership dues and fees, restricted state grants, and restricted federal grants.

General receipts represent 18 percent of the Library's total receipts. Unrestricted membership dues and fees make up 81 percent of the overall general receipts.

Disbursements for Support Services represent the overhead costs of running the Library and the services provided for the other Library activities.

**Governmental Activities**

If you look at the Statement of Activities on page 12, 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 24-7 Know It Now, CE Services, and Technology Consulting, which account for \$640,332 or 71 percent of all governmental disbursements. Business Administration also represents a significant cost, about 23 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by member libraries and the State Library of Ohio who are directly charged for the service and grants received by the Library that must be used to provide a specific service. 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 member libraries. 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	Net Cost
	Cost Of Services	Cost Of Services
	2004-2005	2004-2005
General Government		
Library Services		
24-7 KIN	\$264,459	(\$78,236)
CE Services	188,322	40,347
Periodicals/Prof Collection	1,667	1,667
Technology Services	183,861	(29,712)
Support Service		
Facilities Operation and Maintenance	26,786	13,848
Business Administration	212,252	70,263
Capital	18,350	15,828
<b>Total Expenses</b>	<b>\$895,697</b>	<b>\$34,005</b>

### **The Government's Funds**

Total governmental funds had receipts of \$1,046,840 and disbursements of \$895,697. The greatest change within governmental funds occurred within the General Fund. The fund balance less encumbrances of the General Fund increased \$74,401 as the result of increased receipts that were not originally anticipated and therefore not budgeted.

General Fund receipts were in excess of disbursements by \$91,743. Even though the General Fund has continued revenue growth, as the Library's member libraries continue to take tough budget cuts and their revenue streams run dry.... those cuts will effect the future revenue growth of the Library. It is the recommendation of the finance committee and the administration that a *continued reduction* in disbursements was preferable to requesting additional funds from member libraries. Further, recommendations are to also continue to look for alternate sources of revenue.

### **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. The most significant budgeted fund is the General Fund.

During 2004-2005, the Library amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to unexpected growth in receipts. The difference of \$60,673 between final budgeted receipts and actual receipts was significant.

Final disbursements were budgeted at \$422,552 while actual disbursements were \$406,813. Although receipts exceeded expectations, appropriations were not increased significantly. The Library kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the increase in fund balance of \$87,073 for 2004-2005.

### **Current Issues**

The challenge for all Governments is to provide quality services to the public or Library's members while staying within the restrictions imposed by limited, and in some cases shrinking funding. The Library relies heavily on the membership base and the State Library of Ohio, and those entities depend on the state of Ohio's tax base which has been continually decreasing. The Library is continually looking for additional cost saving measures and alternate sources of revenue. However, in light of the news that the State Library of Ohio intends on reorganizing the regionals as of the 7/1/06 bi-annum, this has placed the Library's plans on hold until final regional decisions have been made.

### **Contacting the Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors 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 Georgina Cogley, Clerk-Treasurer, NOLA Regional Library System, 4445 Mahoning Ave NW, Warren, Ohio 44483.

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**NOLA Regional Library System, Trumbull County**

*Statement of Net Assets - Cash Basis*

*June 30, 2005*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$959,034</u>
<i>Total Assets</i>	<u><u>\$959,034</u></u>
<b>Net Assets</b>	
Restricted for:	
Other Purposes	71,756
Unrestricted	<u>887,278</u>
<i>Total Net Assets</i>	<u><u>\$959,034</u></u>

See accompanying notes to the basic financial statements

**NOLA Regional Library System, Trumbull County**

*Statement of Activities - Cash Basis*

*For the Year Ended June 30, 2005*

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Library Services:				
24-7 KIN	\$264,459		\$342,695	\$78,236
CE Services	188,322	\$76,786	71,189	(40,347)
Periodicals/Prof Collection	1,667			(1,667)
Group Purchasing				
Technology Services	183,861	191,769	21,804	29,712
Support Services:				
Facilities Operation and Maintenance	26,786		12,938	(13,848)
Business Administration	212,252	27,511	114,478	(70,263)
Capital Outlay	18,350		2,522	(15,828)
<i>Total Governmental Activities</i>	<u>895,697</u>	<u>296,066</u>	<u>565,626</u>	(34,005)
		<b>General Receipts</b>		
			Unrestricted Membership Dues and Fees	\$149,455
			Interest	22,297
			Miscellaneous	13,396
			<i>Total General Receipts</i>	<u>\$185,148</u>
			Change in Net Assets	151,143
			<i>Net Assets Beginning of Year</i>	<u>807,891</u>
			<i>Net Assets End of Year</i>	<u>959,034</u>

See accompanying notes to the basic financial statements

**NOLA Regional Library System, Trumbull County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*June 30, 2005*

	General	State Library Funding	Know-It Now	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$887,278	\$3,749	\$66,317	\$1,690	\$959,034
<i>Total Assets</i>	<u>\$887,278</u>	<u>\$3,749</u>	<u>\$66,317</u>	<u>\$1,690</u>	<u>\$959,034</u>
<b>Fund Balances</b>					
Reserved for:					
Encumbrances	\$17,342	\$3,749	\$46,929	\$1,690	\$69,710
Unreserved for:					
Undesignated Reported in:					
General Fund	869,936				869,936
Special Revenue Funds			19,388		19,388
<i>Total Fund Balances</i>	<u>\$887,278</u>	<u>\$3,749</u>	<u>\$66,317</u>	<u>\$1,690</u>	<u>\$959,034</u>

See accompanying notes to the basic financial statements

**NOLA Regional Library System, Trumbull County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended June 30, 2005*

	General	State Library Funding	Know-It Now	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Intergovernmental		\$199,955	\$342,695	\$22,976	\$565,626
Membership Dues and Fees	\$445,521				445,521
Earnings on Investments	22,297				22,297
Miscellaneous	13,396				13,396
<i>Total Receipts</i>	<u>481,214</u>	<u>199,955</u>	<u>342,695</u>	<u>22,976</u>	<u>1,046,840</u>
<b>Disbursements</b>					
Current:					
<i>Library Services:</i>					
24-7 KIN			264,459		264,459
CE Services	110,510	48,213		29,599	188,322
Periodicals/Prof Collection	1,667				1,667
Technology Services	162,057	21,804			183,861
<i>Support Services:</i>					
Facilities Operation and Maintenance	24,875	1,911			26,786
Business Administration	86,747	125,505			212,252
<i>Capital Outlay</i>	3,615	4,415	11,919	(1,599)	18,350
<i>Total Disbursements</i>	<u>389,471</u>	<u>201,848</u>	<u>276,378</u>	<u>28,000</u>	<u>895,697</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>91,743</u>	<u>(1,893)</u>	<u>66,317</u>	<u>(5,024)</u>	<u>151,143</u>
<i>Net Change in Fund Balances</i>	91,743	(1,893)	66,317	(5,024)	151,143
<i>Fund Balances Beginning of Year</i>	<u>795,535</u>	<u>5,642</u>	<u>0</u>	<u>6,714</u>	<u>807,891</u>
<i>Fund Balances End of Year</i>	<u>\$887,278</u>	<u>\$3,749</u>	<u>\$66,317</u>	<u>\$1,690</u>	<u>\$959,034</u>

See accompanying notes to the basic financial statements

**NOLA Regional Library System, Trumbull County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended June 30, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Membership Dues and Fees	\$386,791	\$408,541	\$445,521	\$36,980
Earnings on Investments	12,000	12,000	22,297	10,297
Miscellaneous	0	0	13,396	13,396
<i>Total receipts</i>	398,791	420,541	481,214	60,673
<b>Disbursements</b>				
Library Services:				
CE Services	107,693	125,064	112,884	12,180
Periodicals/Prof Collection	1,250	1,750	1,667	83
Technology Services	162,948	163,370	162,541	829
Support Services:				
Facilities Operation and Maintenance	8,984	25,605	24,875	730
Business Administration	117,891	95,530	93,946	1,584
Capital Outlay	5,000	11,233	10,900	333
<i>Total Disbursements</i>	403,766	422,552	406,813	15,739
<i>Excess of Receipts Over / (Under) Disbursements</i>	(4,975)	(2,011)	74,401	76,412
<i>Net Change in Fund Balance</i>	(4,975)	(2,011)	74,401	87,073
<i>Fund Balance Beginning of Year</i>	795,535	795,535	795,535	0
Prior Year Encumbrances Appropriated	4,975	4,975	4,975	0
<i>Fund Balance End of Year</i>	\$795,535	\$798,499	\$874,911	\$87,073

See accompanying notes to the basic financial statements

**NOLA Regional Library System, Trumbull County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*State Library Funding Fund*  
*For the Year Ended June 30, 2005*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Intergovernmental	\$199,955	\$199,955	\$199,955	\$0
<i>Total receipts</i>	<u>199,955</u>	<u>199,955</u>	<u>199,955</u>	<u>0</u>
<b>Disbursements</b>				
Library Services:				
CE Services	48,213	48,213	48,213	0
Technology Services	25,553	25,553	25,553	0
Support Services:				0
Facilities Operation and Maintenance	1,911	1,911	1,911	0
Business Administration	125,505	125,505	125,505	0
Capital Outlay	4,415	4,415	4,415	0
<i>Total Disbursements</i>	<u>205,597</u>	<u>205,597</u>	<u>205,597</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(5,642)</u>	<u>(5,642)</u>	<u>(5,642)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(5,642)	(5,642)	(5,642)	0
<i>Fund Balance Beginning of Year</i>	5,642	5,642	5,642	0
Prior Year Encumbrances Appropriated	<u>5,642</u>	<u>5,642</u>	<u>5,642</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$5,642</u></u>	<u><u>\$5,642</u></u>	<u><u>\$5,642</u></u>	<u><u>\$0</u></u>

See accompanying notes to the basic financial statements

**NOLA Regional Library System, Trumbull County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Know It Now Fund*  
*For the Year Ended June 30, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	\$397,440	\$397,440	\$342,695	(\$54,745)
<i>Total receipts</i>	397,440	397,440	342,695	(54,745)
<b>Disbursements</b>				
Library Services:				
24-7 KIN	397,440	397,440	323,307	74,133
<i>Total Disbursements</i>	397,440	397,440	323,307	74,133
<i>Excess of Receipts Over (Under) Disbursements</i>	0	0	19,388	19,388
<i>Net Change in Fund Balance</i>	0	0	19,388	19,388
<i>Fund Balance Beginning of Year</i>	0	0	0	0
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$19,388	\$19,388

See accompanying notes to the basic financial statements

**NOLA Regional Library System, Trumbull County**  
*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2005*

	Agency Funds
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$13,245
<i>Total Assets</i>	<u>\$13,245</u>
<b>Net Assets</b>	
Unrestricted	<u>\$13,245</u>

See accompanying notes to the basic financial statements

**Nola Regional Library System**  
**Trumbull County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2005*

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**Note 1 – Description of the Library and Reporting Entity**

Nola Regional Library System, Trumbull County, (the Library) 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, Lorain, Mahoning, Portage, Stark and Trumbull Counties. The Library is chartered as a metropolitan library system, created and governed according to 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 who 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 they cannot serve longer than two consecutive terms.

A reporting entity is comprised of the primary government, component units and other organizations included to ensure that the basic financial statements of the Library are not misleading. The primary government consists of all funds of the Library.

Component units are legally separate organizations for which the Library is financially accountable. Component units may also include organizations that are fiscally dependent on the Library in that the Library approves their budget, the issuance of debt or the levying of their taxes. 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**

**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 Library, except for fiduciary funds. Governmental activities generally are financed through intergovernmental revenues and other nonexchange revenues.

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 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.

**Nola Regional Library System**  
**Trumbull County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2005*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**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 fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Fiduciary funds are reported by type.

**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. Funds are used to segregate resources that are restricted as to use. 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.

State Library Funding Fund - This fund accounts for all restricted State monies.

Know-It Now Fund – This fund receives Federal and State grant money to maintain a live, online, free of charge information service for the citizens of Ohio.

**Fiduciary Funds**

Fiduciary funds include agency funds. Agency funds are purely custodial and are used to hold resources for individuals, organizations or other governments. The Library's agency funds follow:

Health Insurance Fund – The Library acts as the agent for paying health insurance premiums for its member libraries.

Group Purchasing Fund – The Library acts as a purchasing agent for its member libraries for purchasing from database vendors and electronic equipment vendors.

**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.

**Nola Regional Library System**  
**Trumbull County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2005*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**D. Budgetary Process**

For the second year of the Biennium Contract no later than May 31, the Library 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 June 30 and the Library signs all the necessary contracts with the State Library. For the negotiations of the Biennium contract budgetary reports are due on or before March 31.

The Board must annually approve appropriation measures and subsequent amendments. The appropriations measure is the Board's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the legal level of control selected by the Board. Unencumbered appropriations lapse at year end.

**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."

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2004, investments were limited to repurchase agreements, STAR Ohio, and nonnegotiable certificates of deposit. Except for STAR Ohio, these investments are recorded at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2004.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the general fund during 2005 amounted to \$22,297.

**F. Restricted Assets**

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

**G. 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.

**H. 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.

**Nola Regional Library System**  
**Trumbull County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2005*

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**Note 2 - Summary of Significant Accounting Policies** (continued)

**I. 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.

**J. 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 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**K. 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.

**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 and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**Note 3 – Change in Basis of Accounting**

Last year the Library reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Library has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column rather than a column for each fund type.

**Note 4 – 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 – Budgetary Basis presented for the general fund, state library funding fund, and know-it now fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) The encumbrances outstanding at year end (budgetary basis) amounted to \$17,342 for the general fund, \$3,749 for the state library funding fund, and \$46,929 for the know-it now fund.

**Nola Regional Library System**  
**Trumbull County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2005*

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**Note 5 - 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;
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) 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 (STAR Ohio).

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.

**Nola Regional Library System**  
**Trumbull County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2005*

**Note 5 - Deposits and Investments** (continued)

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.

**Deposits**

**Custodial Credit Risk.** Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$ 122,778 of the Library's bank balance of \$ 322,778 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Investments**

As of June 30, 2005, the Library had the following investments:

	Carrying Value	Maturity
Repurchase Agreement	\$ 551,127	July 1, 2005
STAR Ohio	124,158	N/A
Total Investments	\$ 675,285	

STAR Ohio is an investment pool managed by the State of Ohio Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but it does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940.

**Interest Rate Risk.** Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

**Credit Risk.** The securities underlying the repurchase agreement and STAR Ohio carry credit ratings of AAA and AAAM, respectively, by Standard and Poor's. The Library has no investment policy dealing with credit risk beyond the requirements in state statutes.

**Nola Regional Library System**  
**Trumbull County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2005*

**Note 5 - Deposits and Investments** (continued)

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Library's investment in a repurchase agreement, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, but not in the name of the Library. The Library has no investment policy dealing with investment custodial risk beyond the requirements in state statutes which prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

**Concentration of Credit Risk.** The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

<u>Investment Type</u>	<u>Fair Value</u>	<u>% to Total</u>
Repurchase Agreement	\$ 551,127	81.61%
STAR Ohio	124,158	18.39%
	<u>\$ 675,285</u>	<u>100.00%</u>

**Note 6 - Risk Management**

The Library has obtained commercial insurance for the following risks:

- Comprehensive Property and Commercial Liability
- Errors and Omissions Liability

**Note 7 - Defined Benefit Pension Plan**

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) 222-6705 or (800) 222-7377.

**Nola Regional Library System**  
**Trumbull County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2005*

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**Note 7 - Defined Benefit Pension Plan** (continued)

For the year ended June 30, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Library's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

**Note 8 - Postemployment Benefits**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**Nola Regional Library System**  
**Trumbull County**  
*Notes to the Basic Financial Statements*  
*For the Year Ended June 30, 2005*

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**Note 9 – Leases**

The Library has entered an uncancelable lease for the building and space at their current location. The Library disbursed \$48,000 to pay lease costs for the year ended June 30, 2005. Future lease payments are as follows:

Year	Amount
2006	\$ 48,000
2007	48,000
2008	48,000
2009	48,000
2010	48,000
2010	48,000
Total	<u>\$ 288,000</u>

**Note 10 – Subsequent Events**

The Library has been informed by the State Library of Ohio that potentially the State Library is looking into reorganizing the seven regional systems in the State of Ohio. The significant effect upon the Library financially could be positive or negative depending on the changes made to the disbursement of state funds and the potential of the regional systems being combined. No further information on this matter is available at this time.

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**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***

NOLA Regional Library System  
Trumbull County  
4445 Mahoning Avenue NW  
Warren, Ohio 44483

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 NOLA Regional Library System (the Library) as of and for the year ended June 30, 2005, which collectively comprise the Library's basic financial statements and have issued our report thereon dated March 10, 2006 wherein we noted the Library revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. 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 to determine our auditing procedures in order to express our opinions 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'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 that we must report under *Government Auditing Standards*.

NOLA Regional Library System  
Trumbull 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 management and 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

March 10, 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

**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  
APRIL 13, 2006**