



Dave Yost • Auditor of State

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Fund Types - For the Year Ended June 30, 2013.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Fund Types - For the Year Ended June 30, 2012.....	4
Notes to the Financial Statements	5
Independent Auditors Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11

This page intentionally left blank.

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM
TRUMBULL COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Fund Types - For the Year Ended June 30, 2013.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Fund Types - For the Year Ended June 30, 2012.....	4
Notes to the Financial Statements	5
Independent Auditors Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	12

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Northeast Ohio Regional Library System, Trumbull County, (the Library) as of and for the years ended June 30, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Library's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Library prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Library as of June 30, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Northeast Ohio Regional Library System, Trumbull County as of June 30, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2012, the Library adopted new accounting guidance in *Governmental Accounting Standards Board Statement No. 54*. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

January 13, 2014

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	All Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Fiduciary Agency Funds	
Cash Receipts				
Intergovernmental	\$218,230	\$439,696		\$657,926
Services Provided to Other Entities	179,893		\$11,866	191,759
Earnings on Investments	1,943	489	1,368	3,800
Miscellaneous	94,848	150,000	8,070	252,918
<i>Total Cash Receipts</i>	<u>494,914</u>	<u>590,185</u>	<u>21,304</u>	<u>1,106,403</u>
Cash Disbursements				
Current:				
Library Services:				
Public Services and Programs	107,449	328,777		436,226
Collection Development and Processing	6,370			6,370
Purchased and Contracted Services			10,847	10,847
Library Materials and Information			10,988	10,988
Supplies			4,892	4,892
Claims			3,803	3,803
Other			924,684	924,684
Support Services:				
Facilities Operation and Maintenance	95,421			95,421
Business Administration	260,308	154,792		415,100
<i>Total Cash Disbursements</i>	<u>469,548</u>	<u>483,569</u>	<u>955,214</u>	<u>1,908,331</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>25,366</u>	<u>106,616</u>	<u>(933,910)</u>	<u>(801,928)</u>
<i>Net Change in Fund Cash Balances</i>	25,366	106,616	(933,910)	131,982
<i>Fund Cash Balances, January 1</i>	<u>1,284,716</u>	<u>294,986</u>	<u>933,227</u>	<u>2,512,929</u>
Fund Cash Balances, December 31				
Restricted	0	395,242		395,242
Assigned	321,148	6,360		327,508
Unassigned (Deficit)	988,934			988,934
<i>Fund Cash Balances, December 31</i>	<u>\$1,310,082</u>	<u>\$401,602</u>	<u>(\$683)</u>	<u>\$1,711,001</u>

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

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM
TRUMBULL COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	All Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Fiduciary Agency Funds	
Cash Receipts				
Intergovernmental	\$248,494	\$439,768		\$688,262
Services Provided to Other Entities	228,312		\$785,217	1,013,529
Earnings on Investments	1,682	373	1,986	4,041
Miscellaneous	88,989			88,989
<i>Total Cash Receipts</i>	<u>567,477</u>	<u>440,141</u>	<u>787,203</u>	<u>1,794,821</u>
Cash Disbursements				
Current:				
Library Services:				
Public Services and Programs	117,212	439,877		557,089
Purchased and Contracted Services			8,048	8,048
Supplies			196	196
Claims			717,519	717,519
Other			177,476	177,476
Support Services:				
Facilities Operation and Maintenance	103,415	5,066		108,481
Business Administration	257,825	140,551		398,376
<i>Total Cash Disbursements</i>	<u>478,452</u>	<u>585,494</u>	<u>903,239</u>	<u>1,967,185</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>89,025</u>	<u>(145,353)</u>	<u>(116,036)</u>	<u>(172,364)</u>
Other Financing Receipts (Disbursements)				
Transfers In		15,865		15,865
Transfers Out	(15,865)			(15,865)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(15,865)</u>	<u>15,865</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	73,160	(129,488)	(116,036)	(172,364)
<i>Fund Cash Balances, January 1</i>	<u>1,211,556</u>	<u>424,474</u>	<u>1,049,263</u>	<u>2,685,293</u>
Fund Cash Balances, December 31				
Restricted	0	294,986		294,986
Unassigned (Deficit)	1,284,716			1,284,716
<i>Fund Cash Balances, December 31</i>	<u>\$1,284,716</u>	<u>\$294,986</u>	<u>\$933,227</u>	<u>\$2,512,929</u>

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

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Northeast Ohio Regional Library System, Trumbull County, the Library as a body corporate and politic. The Library is a membership consortium of academic, public, school, special, institutional and other libraries and information centers located in the Library's geographic area. The Library provides the community with various educational and literary resources.

The Library's geographic area includes the following counties: Ashland, Ashtabula, Carroll, Columbiana, Coshocton, Cuyahoga, Erie, Geauga, Harrison, Holmes, Knox, Lake, Lorain, Mahoning, Medina, Portage, Richland, Stark, Summit, Trumbull, Tuscarawas, and Wayne.

The Library's Board of Trustees consists of fifteen (15) members selected from among the duly appointed voting representatives of the Advisory Council. One representative from each member Library with full voting membership collectively constitutes the Advisory Council. All terms of office on the Board of Trustees shall be three (3) years.

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

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. Deposits and Investments

The Library's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Library values certificate of deposit and repurchase agreements at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

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

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM
Trumbull COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Library had the following significant Special Revenue Funds:

NOLA Trust Fund – This fund consists of cash assets transferred to the Library per dissolution plan of NOLA Regional Library System as approved by the State Librarian. A five-member Board of trustees has sole discretion on how the funds are used to benefit the Library.

State Library Funding Fund – This fund receives State monies through the State Library of Ohio restricted to expenditure for specific purposes.

LSTA – 24/7 – Know It Now Program – This fund accounts for a Federal program through Cleveland Public Library. The program offered internet help to Library users 24 hours / seven days per week. The Library managed the day to day operations of the program, including hiring and payment of staff. On June 30, 2013, the program was discontinued.

Know It Now Oregon Program – Established in FY2012, this fund accounts for internet help to Library users of Multnomah County, Oregon 24 hours / seven days per week. The Library managed the day to day operations of the program including hiring and payment of staff. It was no longer operational in FY 2013.

3. Fiduciary Funds

Fiduciary Funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources of individuals, organizations and other governments. The Library disburses these funds as directed by the individual organization or other government. The Library had the following significant Agency Funds.

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

Self-funded Insurance Fund – The Regional Library served as fiscal agent for the Ohio Employees Benefit Consortium. This fund received health insurance premium payments from member libraries to pay medical claims of employees enrolled in the self-funded health insurance plan. The fund was established on January 1, 2007 in accordance with the inception of the self-insurance plan, and ended on June 30, 2011. Claims were paid through FY2013.

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM
Trumbull COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

E. 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. 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 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

Beginning in 2012, fund balance is divided into five classifications based primarily on the extent to which the Library must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Library classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM
Trumbull COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. 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 and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at June 30 was as follows:

	2013	2012
Demand deposits	\$401,701	\$2,272,156
Certificates of deposit	240,862	240,373
Public Funds Accounts	367,088	0
Total deposits	1,009,651	2,512,529
U.S. Treasury Notes		
STAR Ohio	701,350	400
Total investments	701,350	400
Total deposits and investments	\$1,711,001	\$2,512,929

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution’s public entity deposit pool.

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

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM
Trumbull COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending June 30, 2013 and 2012 follows:

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$611,409	\$469,548	\$141,861
Special Revenue	416,937	483,569	(66,632)
Total	\$1,028,346	\$953,117	\$75,229

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$619,870	\$494,317	\$125,553
Special Revenue	492,607	585,494	(92,887)
Total	\$1,112,477	\$1,079,811	\$32,666

4. Grants-in-aid and Tax Receipts

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month. The County Budget Commission bases the amount for distribution on the needs of such library for the construction of new library buildings, parts of buildings, improvements, operation, maintenance, or other expenses. The County Budget Commission cannot reduce its allocation of these funds to the Library based on of any additional revenues the Library receives.

5. Retirement Systems

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 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. The Library has paid all contributions required through June 30, 2013.

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM
Trumbull COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012
(Continued)**

6. Risk Management

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

7. Risk Pool Membership

The Library was a member of the Ohio Employee Benefits Consortium (the Consortium) whose purpose was to provide and/or purchase medical, prescription, drug, vision, dental, life and/or other insurance benefits for employees and their eligible dependents and beneficiaries. On October 20, 2011, the Insurance Board of the Consortium passed a resolution, pursuant to Section 17 of the Consortium Agreement, recommending that the Consortium terminate as of December 31, 2011. The Library is still dispersing its remaining funds for claims and will do so until all funds are gone.

8. Subsequent Events

Northeast Ohio Library Association Trust (NOLA Trust), a funding source for Northeast Ohio Regional Library Systems (NEORLS) and a special revenue fund, plans to dissolve in FY 2014, it will review its remaining funds and determine at that time if it will continue. It has scheduled its disbursements to NEORLS in annual descending amounts. All remaining funds will be dispersed to constituent members. NEORLS has taken steps to prepare and is moving to a smaller location to save the money on rent and utilities among other cost saving measures.



Dave Yost • Auditor of State

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

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

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Northeast Ohio Regional Library System, Trumbull County, (the Library) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated January 13, 2014, wherein we noted the Library followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03(D) permits and also we noted the Library implemented *Governmental Accounting Standards Board Statement No. 54*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Library's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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
Columbus, Ohio

January 13, 2014



Dave Yost • Auditor of State

NORTHEAST OHIO 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
FEBRUARY 18, 2014**