

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2017 AND 2016





Dave Yost • Auditor of State

Board of Trustees
Northeast Ohio Regional Library System
1580 Georgetown Road
Hudson, Ohio 44236

We have reviewed the *Independent Auditor's Report* of the Northeast Ohio Regional Library System, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2015 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Northeast Ohio Regional Library System is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 16, 2018

This page intentionally left blank.

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM
SUMMIT COUNTY, OHIO
Audit Report
For the Years Ended June 30, 2017 and 2016**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Independent Auditor's Report	1-2
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Fund Types For the Year Ended June 30, 2017	3
Notes to the Financial Statements – For the Year Ended June 30, 2017	4-8
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Fund Types For the Year Ended June 30, 2016	9
Notes to the Financial Statements – For the Year Ended June 30, 2016	10-14
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15-16

This page intentionally left blank.

INDEPENDENT AUDITOR'S REPORT

Northeast Ohio Regional Library System
Summit County
1580 Georgetown Road
Hudson, Ohio 44236

To the Library Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Northeast Ohio Regional Library System, Summit County, (the Library) as of and for the years ended June 30, 2017 and 2016.

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 of 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 opinions.

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

As described in Note 2 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 (GAAP), to satisfy requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Library does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

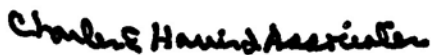
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Library as of June 30, 2017 and 2016, or its 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 cash balances, receipts and disbursements by fund type, and the related notes of the Northeast Ohio Regional Library System, Summit County as of June 30, 2017 and 2016, and 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2017, 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.



Charles E. Harris & Associates, Inc.
November 10, 2017

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Agency</u>	
Cash Receipts					
Intergovernmental	\$ 166,959	\$ 155,544	\$ -	\$ -	\$ 322,503
Services Provided to Other Entities	94,158	-	-	8,897	103,055
Earnings on Investments	3,753	-	-	-	3,753
Miscellaneous	332	-	-	-	332
<i>Total Cash Receipts</i>	<u>265,202</u>	<u>155,544</u>	<u>-</u>	<u>8,897</u>	<u>429,643</u>
Cash Disbursements					
Current:					
Library Services:					
Public Services and Programs	208,478	18,543	-	-	227,021
Collection Development and Processing	1,993	9,927	-	-	11,920
Purchased and Contracted Services	-	-	-	8,897	8,897
Support Services:					
Facilities Operation and Maintenance	47,459	-	-	-	47,459
Business Administration	77,270	127,074	-	-	204,344
Capital Outlay	723	-	14,853	-	15,576
<i>Total Cash Disbursements</i>	<u>335,923</u>	<u>155,544</u>	<u>14,853</u>	<u>8,897</u>	<u>515,217</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(70,721)	-	(14,853)	-	(85,574)
<i>Fund Cash Balances, July 1</i>	<u>1,068,485</u>	<u>-</u>	<u>19,367</u>	<u>577</u>	<u>1,088,429</u>
Fund Cash Balances, June 30					
Assigned	154,890	-	4,514	-	159,404
Unassigned	842,874	-	-	-	842,874
<i>Fund Cash Balances, June 30</i>	<u>\$ 997,764</u>	<u>\$ -</u>	<u>\$ 4,514</u>	<u>\$ 577</u>	<u>\$ 1,002,855</u>

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

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

Notes to the Financial Statements

For the Year Ended June 30, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Northeast Ohio Regional Library System, Summit 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 Membership Council. One representative from each library in the NEO-RLS region will collectively constitute the Membership 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.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Library's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental and fiduciary fund types which are organized on a fund type basis.

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. The funds of the Library are presented below:

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

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

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

Capital Project Fund These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Library had the following significant Capital Project Fund:

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

Notes to the Financial Statements

For the Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

Capital Technology Fund – This fund is used to update technology within the regional library and to purchase technology used in the traveling technology lab at the regional library.

Fiduciary Fund 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 Fund:

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

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary disbursements may not exceed appropriations at the fund, function, and object level of control.

A summary of 2017 budgetary activity appears in Note 3.

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. Money market mutual funds (including STAR Ohio) are recorded at share values of the mutual funds report.

Capital Assets

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

Notes to the Financial Statements

For the Year Ended June 30, 2017

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Fund Balance

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:

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

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.

Committed The Board of Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Board amends 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.

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 the Library Board or a Library official delegated that authority by resolution, or by State Statute. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget.

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.

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

*Notes to the Financial Statements
For the Year Ended June 30, 2017*

Note 3 – Budgetary Activity

Budgetary activity for the year ending June 30, 2017 follows:

2017 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 367,485	\$ 335,923	\$ 31,562
Special Revenue	155,544	155,544	-
Capital Projects	19,200	14,853	4,347

Note 4 – 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 December 31 was as follows:

Demand deposits	2017 \$ 293,670
Total deposits	293,670
STAR Ohio	709,185
Total investments	709,185
Total deposits and investments	\$ 1,002,855

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Library; or collateralized by the financial institution's public entity deposit pool.

Note 5 – Intergovernmental Revenue

The primary source of revenue for the Library is Discount Memberships from libraries within the Library's region. Public, academic, special and school libraries elect their Discount Memberships annually. Discount Membership fees are based on the number of Full Time Equivalents of each library.

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

Notes to the Financial Statements

For the Year Ended June 30, 2017

Note 6 – Risk Management

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

The Library has not reduced coverage in the past two fiscal years. Settlement amounts did not exceed insurance coverage for the past two fiscal years.

Risk Pool Membership

The Library is a member of the Stark County School Council of Government (the cooperative) whose purpose is to provide and/or purchase medical, prescription, drug, vision, dental, life and/or other insurance benefits for employees and their eligible dependents and beneficiaries.

Note 7 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

All Library 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. 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, 2017.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2% of the employer contribution to fund these benefits.

Note 9 – Contingent Liabilities

The Library believes there are no pending claims or lawsuits.

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Agency</u>	
Cash Receipts					
Intergovernmental	\$ 156,508	\$ 145,617	\$ -	\$ -	\$ 302,125
Services Provided to Other Entities	80,978	-	-	2,627	83,605
Earnings on Investments	2,398	-	-	-	2,398
Miscellaneous	2,138	-	-	578	2,716
<i>Total Cash Receipts</i>	<u>242,022</u>	<u>145,617</u>	<u>-</u>	<u>3,205</u>	<u>390,844</u>
Cash Disbursements					
Current:					
Library Services:					
Public Services and Programs	192,117	-	-	-	192,117
Collection Development and Processing	7,024	-	-	-	7,024
Purchased and Contracted Services	-	-	-	2,475	2,475
Support Services:					
Facilities Operation and Maintenance	44,724	-	-	-	44,724
Business Administration	97,588	145,617	-	-	243,205
Capital Outlay	3,267	-	4,972	-	8,239
<i>Total Cash Disbursements</i>	<u>344,720</u>	<u>145,617</u>	<u>4,972</u>	<u>2,475</u>	<u>497,784</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(102,698)	-	(4,972)	730	(106,940)
<i>Fund Cash Balances, July 1</i>	<u>1,171,183</u>	<u>-</u>	<u>24,339</u>	<u>(153)</u>	<u>1,195,369</u>
Fund Cash Balances, June 30					
Assigned	179,146	-	19,367	-	198,513
Unassigned	889,339	-	-	-	889,339
<i>Fund Cash Balances, June 30</i>	<u>\$ 1,068,485</u>	<u>\$ -</u>	<u>\$ 19,367</u>	<u>\$ 577</u>	<u>\$ 1,088,429</u>

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

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

Notes to the Financial Statements

For the Year Ended June 30, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Northeast Ohio Regional Library System, Summit 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 Membership Council. One representative from each library in the NEO-RLS region will collectively constitute the Membership 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.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Library's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental and fiduciary fund types which are organized on a fund type basis.

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. The funds of the Library are presented below:

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

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

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

Capital Project Fund These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Library had the following significant Capital Project Fund:

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

Notes to the Financial Statements

For the Year Ended June 30, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

Capital Technology Fund – This fund is used to update technology within the regional library and to purchase technology used in the traveling technology lab at the regional library.

Fiduciary Fund 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 Fund:

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

Basis of Accounting

These financial statements follow 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). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary disbursements may not exceed appropriations at the fund, function, and object level of control.

A summary of 2016 budgetary activity appears in Note 3.

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. Money market mutual funds (including STAR Ohio) are recorded at share values of the mutual funds report.

Capital Assets

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

Notes to the Financial Statements

For the Year Ended June 30, 2016

Note 2 - Summary of Significant Accounting Policies (continued)

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.

Fund Balance

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:

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

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.

Committed The Board of Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Board amends 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.

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 the Library Board or a Library official delegated that authority by resolution, or by State Statute. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget.

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.

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

*Notes to the Financial Statements
For the Year Ended June 30, 2016*

Note 3 – Budgetary Activity

Budgetary activity for the year ending June 30, 2016 follows:

2016 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 372,486	\$ 344,720	\$ 27,766
Special Revenue	145,617	145,617	-
Capital Projects	6,211	4,972	1,239

Note 4 – 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 December 31 was as follows:

	2016
Demand deposits	\$ 133,575
Public Fund Accounts	249,124
Total deposits	<u>382,699</u>
STAR Ohio	705,730
Total investments	<u>705,730</u>
Total deposits and investments	<u>\$ 1,088,429</u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Library; or collateralized by the financial institution's public entity deposit pool.

Note 5 – Intergovernmental Revenue

The primary source of revenue for the Library is Discount Memberships from libraries within the Library's region. Public, academic, special and school libraries elect their Discount Memberships annually. Discount Membership fees are based on the number of Full Time Equivalents of each library.

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

Notes to the Financial Statements

For the Year Ended June 30, 2016

Note 6 – Risk Management

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

The Library has not reduced coverage in the past two fiscal years. Settlement amounts did not exceed insurance coverage for the past two fiscal years.

Risk Pool Membership

The Library is a member of the Stark County School Council of Government (the cooperative) whose purpose is to provide and/or purchase medical, prescription, drug, vision, dental, life and/or other insurance benefits for employees and their eligible dependents and beneficiaries.

Note 7 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

All Library 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. 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, 2016.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2% of the employer contribution to fund these benefits.

Note 9 – Contingent Liabilities

The Library believes there are no pending claims or lawsuits.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Northeast Ohio Regional Library System
Summit County
1580 Georgetown Road
Hudson, Ohio 44236

To the Library 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 the cash balances, receipts, and disbursements by fund type of the Northeast Ohio Regional Library System, Summit County, (the Library) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2017, wherein we noted that Library followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and corrected on a timely basis. *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, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter not requiring inclusion in this report that we reported to the Library's management in a separate letter dated November 10, 2017.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
November 10, 2017



Dave Yost • Auditor of State

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT 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
JANUARY 30, 2018**