



Dave Yost • Auditor of State



**SOUTHEAST REGIONAL LIBRARY SYSTEM  
JACKSON COUNTY  
JUNE 30, 2017 AND 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of 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 Southeast Regional Library System, Jackson County, Ohio (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 Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 such 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 § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these 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 § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. Our opinion on this accounting basis 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, and the respective 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 related notes of the Southeast Regional Library System, Jackson County, Ohio, as of June 30, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 March 27, 2018, 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

March 27, 2018

**Southeast Regional Library System**

Jackson County

Combined Statement of Receipts, Disbursements

and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended June 30, 2017

|   | General          | Special<br>Revenue | Capital<br>Projects | Totals<br>(Memorandum<br>Only) |
|---|------------------|--------------------|---------------------|--------------------------------|
| <b>Cash Receipts</b>                                  |                  |                    |                     |                                |
| Intergovernmental                                     | \$0              | \$149,117          | \$0                 | \$149,117                      |
| Patron Fines and Fees                                 | 2,200            | 0                  | 0                   | 2,200                          |
| Services Provided to Other Entities                   | 12,330           | 0                  | 0                   | 12,330                         |
| Earnings on Investments                               | 512              | 0                  | 0                   | 512                            |
| Miscellaneous   | 0                | 312                | 0                   | 312                            |
| <i>Total Cash Receipts</i>                            | <u>15,042</u>    | <u>149,429</u>     | <u>0</u>            | <u>164,471</u>                 |
| <b>Cash Disbursements</b>                             |                  |                    |                     |                                |
| Current:  |                  |                    |                     |                                |
| Salaries & Fringe                                     | 0                | 93,501             | 0                   |                                |
| Facilities Operation and Maintenance                  | 265              | 28,955             | 0                   | 29,220                         |
| Purchased & Contracted Services                       | 401              | 31,992             | 0                   | 32,393                         |
| <i>Total Cash Disbursements</i>                       | <u>666</u>       | <u>154,448</u>     | <u>0</u>            | <u>61,613</u>                  |
| <i>Excess of Receipts Over (Under) Disbursements</i>  | <u>14,376</u>    | <u>(5,019)</u>     | <u>0</u>            | <u>102,858</u>                 |
| <b>Other Financing Receipts (Disbursements)</b>       |                  |                    |                     |                                |
| Transfers Out   | (5,161)          | 0                  | 0                   | (5,161)                        |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(5,161)</u>   | <u>0</u>           | <u>0</u>            | <u>(5,161)</u>                 |
| <i>Net Change in Fund Cash Balances</i>               | 9,215            | (5,019)            | 0                   | 4,196                          |
| <i>Fund Cash Balances, July 1</i>                     | <u>133,085</u>   | <u>10,808</u>      | <u>265</u>          | <u>144,158</u>                 |
| <b>Fund Cash Balances, June 30</b>                    |                  |                    |                     |                                |
| Restricted  | 0                | 5,789              | 265                 | 6,054                          |
| Committed   | 2,022            | 0                  | 0                   | 2,022                          |
| Unassigned (Deficit)                                  | 140,278          | 0                  | 0                   | 140,278                        |
| <i>Fund Cash Balances, June 30</i>                    | <u>\$142,300</u> | <u>\$5,789</u>     | <u>\$265</u>        | <u>\$148,354</u>               |

See accompanying notes to the financial statements

**Southeast Regional Library System**  
*Jackson County*  
*Statement of Receipts, Disbursements*  
*and Change in Fund Balance (Regulatory Cash Basis)*  
*Fiduciary Fund Type*  
*For the Year Ended June 30, 2017*

|   | <u>Fiduciary Fund</u> |
|---|-----------------------|
|   | <u>Agency</u>         |
| <b>Operating Cash Receipts</b>  |                       |
| Services Provided to Other Entities   | <u>\$16,342</u>       |
| <i>Total Operating Cash Receipts</i>  | <u>16,342</u>         |
| <b>Operating Cash Disbursements</b>   |                       |
| Purchased and Contracted Services   | <u>19,577</u>         |
| <i>Total Operating Cash Disbursements</i>   | <u>19,577</u>         |
| <i>Operating Income (Loss)</i>  | <u>(3,235)</u>        |
| <i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i> | (3,235)               |
| Transfers In  | <u>5,161</u>          |
| <i>Net Change in Fund Cash Balance</i>  | 1,926                 |
| <i>Fund Cash Balance, January 1</i>   | <u>1,999</u>          |
| <i>Fund Cash Balance, December 31</i>   | <u><u>\$3,925</u></u> |
| <i>See accompanying notes to the financial statements</i>   |                       |



## **Southeast Regional Library System**

*Jackson County*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2017*

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### **Note 1 - Reporting Entity**

The Southeast Regional Library System, Jackson County (the Library), is an area regional library system created and governed according to the provisions of the Ohio Rev. Code § 3375.90. An area regional library system is subject to the record keeping procedures prescribed by the Auditor of State and is subject to audit.

The Library is composed of libraries in the Ohio counties of Athens, Belmont, Delaware, Fairfield, Franklin, Gallia, Guernsey, Hocking, Jackson, Jefferson, Lawrence, Licking, Meigs, Monroe, Morgan, Muskingum, Noble, Perry, Pickaway, Pike, Ross, Scioto, Vinton, and Washington, and derives its power from Ohio Rev. Code § 3375.90, and other relevant sections.

The Library appoints a fifteen member Board of Trustees to govern the Library. Public libraries (maximum of 12 seats) board members will be comprised of pay members and rotational by alphabetical order of legal library name with the seats divided equally between three size categories (small, medium, large) determined by FTE's using the most current statistical report provided by the State Library of Ohio. All trustees serve for three year terms. The Board can also include three additional members: one member from the collective member school libraries; one member from the collective member academic libraries; and one member from the collective member special libraries. These members are appointed for one year terms.

The Library utilizes the Standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

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 fund types, and a statement of receipts, disbursements and change in fund balance (regulatory cash basis) for the fiduciary fund type 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.

## **Southeast Regional Library System**

*Jackson County*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2017*

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**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 Fund:

**State Fund** – This fund accounts for money received from the State Library of Ohio’s budget for operating expense for the Library.

**Capital Project Funds** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Library had the following significant capital project fund:

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

**Agency Funds** These funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Library’s agency fund accounts for money received from participating member libraries to pay insurance expenses of the user group and to pay for group purchases provided it is expended or transferred according to the general laws of Ohio.

### ***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

### ***Budgetary Process***

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures 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.

### ***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.

**Southeast Regional Library System**

*Jackson County*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2017*

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***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 three 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:

***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.

***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.

**Note 3 - Budgetary Activity**

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

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$123,809                  | \$7,849                   | \$115,960 |
| Special Revenue                                       | 162,308                    | 159,591                   | 2,717     |
| Capital Projects                                      | 265                        | 0                         | 265       |
| Agency  | 19,578                     | 19,577                    | 1         |
| Total   | \$305,960                  | \$187,017                 | \$118,943 |

**Southeast Regional Library System**

*Jackson County*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2017*

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**Note 4 - Deposits**

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

|                 |             |
|-----------------|-------------|
|                 | <u>2017</u> |
| Demand deposits | \$152,279   |

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation

**Note 5 - Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

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

**Note 6 - Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. 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 7 - 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016, and 1.0 percent during calendar year 2017.

**Southeast Regional Library System***Jackson County**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended June 30, 2016*

|  | General          | Special<br>Revenue | Capital<br>Projects | Totals<br>(Memorandum<br>Only) |
|--|------------------|--------------------|---------------------|--------------------------------|
| <b>Cash Receipts</b>                                 |                  |                    |                     |                                |
| Intergovernmental                                    | \$0              | \$145,617          | \$0                 | \$145,617                      |
| Patron Fines and Fees                                | 3,205            | 0                  | 0                   | 3,205                          |
| Services Provided to Other Entities                  | 7,538            | 0                  | 0                   | 7,538                          |
| Earnings on Investments                              | 371              | 0                  | 0                   | 371                            |
| Miscellaneous  | 50               | 0                  | 0                   | 50                             |
| <i>Total Cash Receipts</i>                           | <u>11,164</u>    | <u>145,617</u>     | <u>0</u>            | <u>156,781</u>                 |
| <b>Cash Disbursements</b>                            |                  |                    |                     |                                |
| Current:   |                  |                    |                     |                                |
| Salaries & Fringe                                    | 152              | 89,092             | 0                   |                                |
| Facilities Operation and Maintenance                 | 298              | 22,236             | 0                   | 22,534                         |
| Purchased & Contracted Services                      | 4,493            | 24,098             | 0                   | 28,591                         |
| Other  | 80               | 0                  | 0                   |                                |
| <i>Total Cash Disbursements</i>                      | <u>5,023</u>     | <u>135,426</u>     | <u>0</u>            | <u>51,125</u>                  |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>6,141</u>     | <u>10,191</u>      | <u>0</u>            | <u>105,656</u>                 |
| <i>Net Change in Fund Cash Balances</i>              | 6,141            | 10,191             | 0                   | 16,332                         |
| <i>Fund Cash Balances, July 1</i>                    | <u>126,944</u>   | <u>617</u>         | <u>265</u>          | <u>127,826</u>                 |
| <b>Fund Cash Balances, June 30</b>                   |                  |                    |                     |                                |
| Restricted   | 0                | 10,808             | 265                 | 11,073                         |
| Committed  | 79               | 0                  | 0                   | 79                             |
| Unassigned (Deficit)                                 | 133,006          | 0                  | 0                   | 133,006                        |
| <i>Fund Cash Balances, June 30</i>                   | <u>\$133,085</u> | <u>\$10,808</u>    | <u>\$265</u>        | <u>\$144,158</u>               |

*See accompanying notes to the financial statements*

**Southeast Regional Library System**  
*Jackson County*  
*Statement of Receipts, Disbursements*  
*and Change in Fund Balance (Regulatory Cash Basis)*  
*Fiduciary Fund Type*  
*For the Year Ended June 30, 2016*

|   | <u>Fiduciary Fund</u> |
|---|-----------------------|
|   | <u>Agency</u>         |
| <b>Operating Cash Receipts</b>                            |                       |
| Services Provided to Other Entities                       | <u>\$14,861</u>       |
| <i>Total Operating Cash Receipts</i>                      | <u>14,861</u>         |
| <b>Operating Cash Disbursements</b>                       |                       |
| Purchased and Contracted Services                         | <u>14,375</u>         |
| <i>Total Operating Cash Disbursements</i>                 | <u>14,375</u>         |
| <i>Operating Income (Loss)</i>                            | <u>486</u>            |
| <i>Net Change in Fund Cash Balance</i>                    | 486                   |
| <i>Fund Cash Balance, January 1</i>                       | <u>1,513</u>          |
| <i>Fund Cash Balance, December 31</i>                     | <u><u>\$1,999</u></u> |
| <i>See accompanying notes to the financial statements</i> |                       |

## **Southeast Regional Library System**

*Jackson County*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2016*

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### **Note 1 - Reporting Entity**

The Southeast Regional Library System, Jackson County (the Library), is an area regional library system created and governed according to the provisions of the Ohio Rev. Code § 3375.90. An area regional library system is subject to the record keeping procedures prescribed by the Auditor of State and is subject to audit.

The Library is composed of libraries in the Ohio counties of Athens, Belmont, Delaware, Fairfield, Franklin, Gallia, Guernsey, Hocking, Jackson, Jefferson, Lawrence, Licking, Meigs, Monroe, Morgan, Muskingum, Noble, Perry, Pickaway, Pike, Ross, Scioto, Vinton, and Washington, and derives its power from Ohio Rev. Code § 3375.90, and other relevant sections.

The Library appoints a fifteen member Board of Trustees to govern the Library. Public libraries (maximum of 12 seats) board members will be comprised of pay members and rotational by alphabetical order of legal library name with the seats divided equally between three size categories (small, medium, large) determined by FTE's using the most current statistical report provided by the State Library of Ohio. All trustees serve for three year terms. The Board can also include three additional members: one member from the collective member school libraries; one member from the collective member academic libraries; and one member from the collective member special libraries. These members are appointed for one year terms.

The Library utilizes the Standards of Governmental Accounting Standards Board Statement 14 for determining the reporting entity.

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 fund types, and a statement of receipts, disbursements and change in fund balance (regulatory cash basis) for the fiduciary fund type 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.

## **Southeast Regional Library System**

*Jackson County*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2016*

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***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:

***State Fund*** – This fund accounts for money received from the State Library of Ohio’s budget for operating expense for the Library.

***Capital Project Funds*** These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Library had the following significant capital project funds:

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

***Agency Funds*** These funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Library’s agency fund accounts for money received from participating member libraries to pay insurance expenses of the user group and to pay for group purchases provided it is expended or transferred according to the general laws of Ohio.

### ***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 117-2-03 (D) permit.

### ***Budgetary Process***

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures 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.

### ***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.



**Southeast Regional Library System**

*Jackson County*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2016*

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***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 three 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:

***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.

***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.

**Note 3 - Budgetary Activity**

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

| 2016 Budgeted vs. Actual Budgetary Basis Expenditures |                         |                        |                  |
|---|-------------------------|------------------------|------------------|
| Fund Type   | Appropriation Authority | Budgetary Expenditures | Variance         |
| General   | \$134,255               | \$5,102                | \$129,153        |
| Special Revenue                                       | 146,233                 | 148,617                | (2,384)          |
| Capital Projects                                      | 265                     | 0                      | 265              |
| Agency  | 14,782                  | 14,375                 | 407              |
| Total   | <u>\$295,535</u>        | <u>\$168,094</u>       | <u>\$127,441</u> |

**Southeast Regional Library System**

*Jackson County*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2016*

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**Note 4 - Deposits**

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

|                 |             |
|-----------------|-------------|
|                 | <u>2016</u> |
| Demand deposits | \$146,157   |

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation

**Note 5 - Risk Management**

Workers' Compensation coverage is provided by the State of Ohio. The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs (if material).

**Commercial Insurance**

The Library has obtained commercial insurance for the following risks:

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

**Note 6 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. 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 7 - 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.



# 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

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

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 the cash balances, receipts, and disbursements by fund type of the Southeast Regional Library System, Jackson County, Ohio, (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 March 27, 2018, wherein we noted the Library followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

### ***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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

### ***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 report 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

March 27, 2018

**SOUTHEAST REGIONAL LIBRARY SYSTEM  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2017 AND 2016**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 2017-001**

**Material Weakness**

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

As a result of the audit procedures performed, the following errors were noted in the financial statements that required audit adjustment or reclassification:

For the year ended June 30, 2016:

- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.168-169 requires reporting funds whose revenue had external legal constraints as Restricted. The Library incorrectly classified the Library's fund balances as follows: \$13,191 of the State Fund balance was presented as Committed when it should have been Restricted and \$265 of the Capital Projects Fund balance was presented as Unassigned when it should have been Restricted.
- General Fund Services Provided to Other Entities receipts of \$600 and Purchased & Contracted Services disbursements of \$600 were not recorded;
- General Fund Miscellaneous receipts and Purchased & Contract Services disbursements were both overstated by \$400 due to a refund of disbursement being recorded as a receipt;
- State Fund salaries & fringe disbursements of \$2,294 were incorrectly recorded in 2017;
- State Fund salaries & fringe disbursements of \$89 were not posted.

For the year ended June 30, 2017:

- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.168-169 requires reporting funds whose revenue had external legal constraints as Restricted. The Library incorrectly classified the Library's fund balances as follows: \$5,143 of the State Fund balance was presented as Committed when it should have been Restricted and \$265 of the Capital Projects Fund balance was presented as Unassigned when it should have been Restricted.
- General Fund transfers out of \$5,161 were not recorded and Agency Fund transfers in of \$5,161 were not recorded;
- State Fund miscellaneous receipts of \$312 were incorrectly recorded as a negative disbursement in the other disbursement line item;
- State Fund facilities operation and maintenance disbursement of \$101 was refunded and was incorrectly recorded as negative disbursement in the other disbursement line item;
- State Fund salaries & fringe disbursements of \$2,294 for 2016 were incorrectly recorded in 2017.
- State Fund salaries & fringe disbursements were overstated by \$735 due to being recorded twice.

The Clerk-Treasurer made errors in posting of revenues and disbursements that resulted in the errors noted above. The audited financial statements and the Library's accounting system have been adjusted for the errors noted above.

**SOUTHEAST REGIONAL LIBRARY SYSTEM  
JACKSON COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2017 AND 2016  
(Continued)**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b> |
|--|

**FINDING NUMBER 2017-001 (Continued)**

**Material Weakness (Continued)**

The Clerk-Treasurer should review Auditor of State Bulletin 2011-004 for Statement No. 54 of the Governmental Accounting Standards Board (GASB) for proper reporting of fund balances on the financial statements. The Board of Trustees should adopt policies and procedures including a final review of the financial statements and notes by the Clerk-Treasurer and Board of Trustees.

**Officials' Response:** We did not receive a response from Officials to this finding.



# Dave Yost • Auditor of State

**SOUTHEAST REGIONAL LIBRARY SYSTEM**

**JACKSON COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 10, 2018**