



Dave Yost • Auditor of State

**NORTHWEST REGIONAL LIBRARY SYSTEM
WOOD COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Northwest Regional Library System
Wood County
181 ½ South Main Street
Bowling Green, Ohio 43402

To the Board of Trustees:

Report on the Financial Statement

We have audited the accompanying financial statement of the cash balances, receipts and disbursements by fund type and related notes of the Northwest Regional Library System, Wood County, Ohio (the Library) as of and for the fiscal years ended June 30, 2016 and 2015.

Management's Responsibility for the Financial Statement

Management is responsible for preparing and fairly presenting this financial statement 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 this financial statement 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 statement is 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 1B of the financial statement, the Library prepared this financial statement 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 statement 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 this statement 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 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 statement referred to above does 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, 2016 and 2015, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balances of the Northwest Regional Library System, Wood County, Ohio as of June 30, 2016 and 2015, and its 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 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 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.



Dave Yost
Auditor of State

Columbus, Ohio

April 13, 2017

**NORTHWEST REGIONAL LIBRARY SYSTEM
WOOD COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGE IN FUND BALANCES (CASH BASIS)
GENERAL FUND
FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
Cash Receipts		
Intergovernmental	\$146,322	\$145,617
Services Provided to Other Entities	114,667	118,563
Earnings on Investments	172	39
	261,161	264,219
 Cash Disbursements		
Current:		
Library Services:		
Public Services and Programs	154,562	210,228
Collection Development and Processing	8,015	7,787
Support Services:		
Facilities Operation and Maintenance	37,644	36,183
Information Services	31,289	6,530
Business Administration	18,672	14,461
Capital Outlay	21	1,192
	250,203	276,381
 <i>Net Change in Fund Cash Balance</i>	 10,958	 (12,162)
 <i>Fund Cash Balance, July 1</i>	 131,550	 143,712
	142,508	131,550
 Fund Cash Balance, June 30		
Unassigned	142,508	131,550
	142,508	131,550
 <i>Fund Cash Balance, June 30</i>	 <u><u>\$142,508</u></u>	 <u><u>\$131,550</u></u>

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

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**NORTHWEST REGIONAL LIBRARY SYSTEM
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2016 AND 2015**

1. Summary of Significant Accounting Policies

A. Description of the Entity

Northwest Regional Library System, Wood County, (the Library) is a Metropolitan Library System, as defined by §3375.90 of the Ohio Revised Code, established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The System is an organization of public, academic, special, school, institutional, and other libraries or information services within the Library's geographical service area. Effective July 1, 2006, the State Library of Ohio amended the Library's charter to reorganize and adjust their geographic service area boundaries, and changed their name to Northwest Regional Library System. The Library operates under a Membership Council, which consists of library administrators and trustees from member libraries, and a Board of Trustees (15 members) elected by the Membership Council. The Board of Trustees is responsible for the provision of special library educational resources to the Library.

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 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 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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.

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 type:

General Fund

The General Fund accounts for and reports all financial resources.

**NORTHWEST REGIONAL LIBRARY SYSTEM
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2016 AND 2015
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. .

A summary of 2016 and 2015 budgetary activity appears in Note 3.

F. 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:

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.

**NORTHWEST REGIONAL LIBRARY SYSTEM
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2016 AND 2015
(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 statement does 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

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

	<u>2016</u>	<u>2015</u>
Demand deposits	\$79,869	\$64,076
STAR Ohio	62,639	67,474
Total deposits	<u>\$142,508</u>	<u>\$131,550</u>

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

**NORTHWEST REGIONAL LIBRARY SYSTEM
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2016 AND 2015
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending June 30, 2016 and 2015 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$275,917	\$261,161	(\$14,756)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$275,917	\$250,203	\$25,714

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$279,742	\$264,219	(\$15,523)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$279,742	\$276,381	\$3,361

4. Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2016 and 2015, 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.

5. Risk Management

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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



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

Northwest Regional Library System
Wood County
181 ½ South Main Street
Bowling Green, Ohio 43402

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 statement of the cash balances, receipts, and disbursements of the Northwest Regional Library System, Wood County, Ohio (the Library) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statement, and have issued our report thereon dated April 13, 2017 wherein we noted the 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

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 statement, 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 statement. 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 2016-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statement is 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.



Dave Yost
Auditor of State

Columbus, Ohio

April 13, 2017

**NORTHWEST REGIONAL LIBRARY SYSTEM
WOOD COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
--

FINDING NUMBER 2016-001

Material Weakness

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions

GASB 54 introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The governmental fund type definitions relate to constraints placed upon the use of resources. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

Special revenue funds are used to 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 term proceeds of specific revenue sources establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.

Due to an insufficiency of monitoring by management of the changes in accounting principles, the Library reported a majority of its activity in the special revenue fund type; however, the Library's activity posted to special revenue funds during fiscal years 2016 and 2015 did not meet the definition included in GASB 54.

Adjustments were recorded to the 2016 and 2015 financial statements to record all of the Library's activity in the General Fund.

In order to help ensure the Library's fund balances are reported in accordance with GASB 54, we recommend the Officials review and follow Auditor of State Bulletin 2011-004 recommended fund balance classifications.

Officials' Response:

We did not receive a response from Officials to this finding.

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NORTHWEST REGIONAL LIBRARY SYSTEM

WOOD 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
MAY 4, 2017**