

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

AUDIT REPORT

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018





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Columbus, Ohio 43215
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Board of Trustees
Northeast Ohio Regional Library System
1737 Georgetown Road, Suite B
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, 2017 through June 30, 2019. 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 black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

February 27, 2020

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**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM
SUMMIT COUNTY, OHIO
Audit Report
For the Years Ended June 30, 2019 and 2018**

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INDEPENDENT AUDITOR'S REPORT

Northeast Ohio Regional Library System
Summit County
1737 Georgetown Road, Suite B
Hudson, Ohio 44236

To the 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 Organization) as of and for the years ended June 30, 2019 and 2018.

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 express opinions 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 that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the Organization 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 Organization 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 Organization as of June 30, 2019 and 2018, 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, 2019 and 2018, 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 December 2, 2019, on our consideration of the Organization'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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's 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 Organization's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
December 2, 2019

**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, 2019**

	<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	\$ 222,629	\$ 159,178	\$ -	\$ -	\$ 381,807
Services Provided to Other Entities	98,889	-	-	8,827	107,716
Patron Fines and Fees	-	-	-	19,116	19,116
Contributions, Gifts and Donations	3,446	-	-	-	3,446
Earnings on Investments	13,922	-	-	-	13,922
Miscellaneous	2,462	-	-	170,117	172,579
<i>Total Cash Receipts</i>	<u>341,348</u>	<u>159,178</u>	<u>-</u>	<u>198,060</u>	<u>698,586</u>
Cash Disbursements					
Current:					
Library Services:					
Public Services and Programs	202,609	21,467	-	-	224,076
Collection Development and Processing	4,309	12,711	-	-	17,020
Purchased and Contracted Services	-	-	-	20,954	20,954
Support Services:					
Facilities Operation and Maintenance	32,193	-	-	-	32,193
Supplies	-	-	-	8	8
Other	-	-	-	740	740
Business Administration	87,987	125,000	-	-	212,987
Capital Outlay	11,903	-	9,286	-	21,189
<i>Total Cash Disbursements</i>	<u>339,001</u>	<u>159,178</u>	<u>9,286</u>	<u>21,702</u>	<u>529,167</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	2,347	-	(9,286)	176,358	169,419
Other Financing Receipts (Disbursements)					
Transfers In	-	-	25,000	-	25,000
Transfers Out	(25,000)	-	-	-	(25,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(25,000)</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	(22,653)	-	15,714	176,358	169,419
<i>Fund Cash Balances, July 1</i>	<u>958,528</u>	<u>-</u>	<u>2,930</u>	<u>(432)</u>	<u>961,026</u>
Fund Cash Balances, June 30					
Assigned	233,544	-	18,644	-	252,188
Unassigned	702,331	-	-	-	702,331
<i>Fund Cash Balances, June 30</i>	<u>\$ 935,875</u>	<u>\$ -</u>	<u>\$ 18,644</u>	<u>\$ 175,926</u>	<u>\$ 1,130,445</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, 2019

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 Organization) as a body corporate and politic. The Organization is a membership consortium of academic, public, school, special, institutional and other libraries and information centers located in the Organization's geographic area. The Organization provides the community with various educational and literary resources.

The Organization'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 Organization'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 and members serve without compensation.

The Organization participates in a public entity risk pool and is associated with a related organization. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Organization'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 Organization 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 Organization 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 Organization for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 Organization had the following significant Special Revenue Fund:

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

Notes to the Financial Statements

For the Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies (continued)

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 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 Organization had the following significant capital project fund:

Capital Technology Fund – This fund is used to update technology within the Organization.

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

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

OELMA Fund - The Organization serves as fiscal agent and association management company for Ohio Educational Library Media Association. This fund was established January 1, 2019 in accordance with the transfer of management from Accent on Management. When the assets were transferred they were recorded as miscellaneous revenue.

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.

For the second year of the Biennium Contract, no later than May 31, the Organization submits an annual plan of service for state funds to the State Library Board. The State Library Board takes action on this plan on or before June 30 and the Organization signs all the necessary contracts with the State Library. For the negotiations of the Biennium Contract budgetary reports are due on or before March 31.

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

Notes to the Financial Statements

For the Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies (continued)

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

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

The Organization values common stock at cost (or fair value when deposited). Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

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 Organization must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Non-spendable The Organization classifies assets as *non-spendable* 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 Organization 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 Organization Board or a Organization official delegated that authority by resolution, or by State Statute. The Board may also assign fund balance as it does when

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

Notes to the Financial Statements

For the Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies (continued)

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 Organization 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.

Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. The Organization had the following interfund transfers:

From	To	Amount
General Fund	Capital/Technology Fund	<u>\$25,000</u>
		<u>\$25,000</u>

Note 3 - Budgetary Activity

Budgetary activity for the year ending June 30, 2019 follows:

Fund Type	2019 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 315,511	\$ 341,348	\$ (25,837)
Special Revenue	125,000	159,178	(34,178)
Capital Projects	25,000	25,000	-

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

Notes to the Financial Statements

For the Year Ended June 30, 2019

Note 3 - Budgetary Activity (continued)

2019 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 374,781	\$ 364,001	\$ 10,780
Special Revenue	159,178	159,178	-
Capital Projects	12,900	9,286	3,614

Note 4 – Deposits and Investments

The Organization maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at June 30, 2019 was as follows:

	2019
Demand deposits	\$ 308,460
Total deposits	308,460
STAR Ohio	477,639
Repurchase agreement	262,481
Total investments	740,120
Total deposits and investments	\$ 1,048,580

At June 30, 2019 the OELMA held \$81,865 in investment securities. These securities are not eligible investments for the Organization under Ohio law. The financial institution maintains records identifying the Ohio Educational Library Media Association as owner of these securities.

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

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

The Organization's financial institution transfers securities to the Organization's agent to collateralize repurchase agreements. The securities are fully collateralized as part of OPCS.

Merrill Lynch holds the Organization's (agency fund) investment securities in the Ohio Educational Library Media Association's name.

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

Notes to the Financial Statements

For the Year Ended June 30, 2019

Note 5 – Intergovernmental Revenue

The primary source of revenue for the Organization is Memberships from libraries within the Organization's region. Public, academic, special and school libraries elect their Memberships annually. Membership fees for public libraries are based on Total Operating Revenue as reported to the State Library of Ohio in the Public Library Statistics report. Academic, special and schools libraries are charged a flat fee for membership.

Note 6 - Risk Management

Commercial Insurance

The Organization has obtained commercial insurance for the following risks:

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

The Organization 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 Organization 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. Financial information can be obtained from the Stark County Schools' Council of Governments, Stark County ESC, Attn: Treasurer's Office, 6057 Strip Avenue NW North Canton, OH, 44720.

The Organization 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. The System administers and pays all claims.

Note 7 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

All of the Organization'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 Organization contributed an amount equaling 14%, of participants' gross salaries. The Organization has paid all contributions required through June 30, 2019.

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

Notes to the Financial Statements

For the Year Ended June 30, 2019

Note 8 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, and deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2019.

Note 9 – Contingent Liabilities

The Organization 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, 2018**

	<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	\$ 194,020	\$ 158,521	\$ -	\$ -	\$ 352,541
Services Provided to Other Entities	91,812	-	-	11,549	103,361
Contributions, Gifts and Donations	23,762	-	-	-	23,762
Earnings on Investments	7,354	-	-	-	7,354
Miscellaneous	8,332	-	-	-	8,332
<i>Total Cash Receipts</i>	<u>325,280</u>	<u>158,521</u>	<u>-</u>	<u>11,549</u>	<u>495,350</u>
Cash Disbursements					
Current:					
Library Services:					
Public Services and Programs	231,861	19,929	-	-	251,790
Collection Development and Processing	8,344	13,592	-	-	21,936
Purchased and Contracted Services	-	-	-	12,559	12,559
Support Services:					
Facilities Operation and Maintenance	48,602	-	-	-	48,602
Business Administration	74,712	125,000	-	-	199,712
Capital Outlay	997	-	1,584	-	2,581
<i>Total Cash Disbursements</i>	<u>364,516</u>	<u>158,521</u>	<u>1,584</u>	<u>12,559</u>	<u>537,180</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(39,236)	-	(1,584)	(1,010)	(41,830)
<i>Fund Cash Balances, July 1</i>	<u>997,764</u>	<u>-</u>	<u>4,514</u>	<u>578</u>	<u>1,002,856</u>
Fund Cash Balances, June 30					
Assigned	279,644	-	2,930	-	282,574
Unassigned	678,884	-	-	-	678,884
<i>Fund Cash Balances, June 30</i>	<u>\$ 958,528</u>	<u>\$ -</u>	<u>\$ 2,930</u>	<u>\$ (432)</u>	<u>\$ 961,026</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, 2018

Note 1 - Reporting Entity

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The Organization'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 and members serve without compensation.

The Organization participates in a public entity risk pool and is associated with a related organization. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

Notes to the Financial Statements

For the Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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

LSTA Grant Fund - The grant fund accounts for and reports grant monies restricted for special projects within the Organization.

Capital Project Fund 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 Organization had the following significant capital project fund:

Capital Technology Fund – This fund is used to update technology within the Organization.

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

Group Purchasing Fund - The Organization 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.

For the second year of the Biennium Contract, no later than May 31, the Organization submits an annual plan of service for state funds to the State Library Board. The State Library Board takes action on this plan on or before June 30 and the Organization signs all the necessary contracts with the State Library. For the negotiations of the Biennium Contract budgetary reports are due on or before March 31.

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

Notes to the Financial Statements

For the Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

The Organization's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Organization values common stock at cost (or fair value when deposited). Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

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 Organization must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Non-spendable The Organization classifies assets as *non-spendable* 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 Organization 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 Organization Board or a Organization 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.

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

Notes to the Financial Statements

For the Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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 Organization 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, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 287,155	\$ 352,280	\$ (65,125)
Special Revenue	145,617	158,521	(12,904)
Capital Projects	-	-	-

2018 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$ 382,046	\$ 364,516	\$ 17,530
Special Revenue	180,592	158,521	22,071
Capital Projects	2,500	1,584	916

Note 4 – Deposits and Investments

The Organization maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at June 30, 2018 was as follows:

	2018
Demand deposits	\$ 494,542
Total deposits	494,542
STAR Ohio	466,484
Total investments	466,484
Total deposits and investments	\$ 961,026

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

Notes to the Financial Statements

For the Year Ended June 30, 2018

Note 4 – Deposits and Investments (continued)

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by securities collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial statements.

Note 5 – Intergovernmental Revenue

The primary source of revenue for the Organization is Memberships from libraries within the Organization's region. Public, academic, special and school libraries elect their Memberships annually. Membership fees for public libraries are based on Full Time Equivalents as reported to the State Library of Ohio in the Public Library Statistics report. Academic, special and schools libraries are charged a flat fee for membership.

Note 6 - Risk Management

Commercial Insurance

The Organization has obtained commercial insurance for the following risks:

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

The Organization 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 Organization 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. Financial information can be obtained from the Stark County Schools' Council of Governments, Stark County ESC, Attn: Treasurer's Office, 6057 Strip Avenue NW North Canton, OH, 44720.

The Organization 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. The System administers and pays all claims.

NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

SUMMIT COUNTY, OHIO

Notes to the Financial Statements

For the Year Ended June 30, 2018

Note 7 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

All of the Organization'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 Organization contributed an amount equaling 14%, of participants' gross salaries. The Organization has paid all contributions required through June 30, 2018.

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 1% of the employer contribution to fund these benefits.

Note 9 – Contingent Liabilities

The Organization believes there are no pending claims or lawsuits.

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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
1737 Georgetown Road, Suite B
Hudson, Ohio 44236

To the Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements by fund type of the Northeast Ohio Regional Library System, Summit County, (the Organization) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Organization's financial statements and have issued our report thereon dated December 2, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 Organization'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*.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris & Associates, Inc.
December 2, 2019

OHIO AUDITOR OF STATE KEITH FABER



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
MARCH 19, 2020**