

***NORTHEAST OHIO REGIONAL LIBRARY SYSTEM***

***SUMMIT COUNTY, OHIO***

***REGULAR AUDIT***

***FOR THE YEARS ENDED JUNE 30, 2021 AND 2020***





OHIO AUDITOR OF STATE  
KEITH FABER



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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 Northeast Ohio Regional Library System, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2019 through June 30, 2021. 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. 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 10, 2022

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**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM  
SUMMIT COUNTY, OHIO  
Regular Audit  
For the Years Ended June 30, 2021 and 2020**

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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 for each governmental fund type and the fiduciary fund type combined total as of and for the year ended June 30, 2021 and for each governmental and fiduciary fund type as of and for the year ended June 30, 2020 and related notes of the Northeast Ohio Regional Library System, Summit County, Ohio (the Organization).

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of 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 includes the design, implementation and maintenance of internal control relevant to preparation and fair presentation of 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 Organization'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 Organization'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 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 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 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, 2021 and 2020, and the respective changes in financial position 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 for each governmental fund type and the fiduciary fund type combined total as of and for the year ended June 30, 2021 and for each governmental and fiduciary fund type as of and for the year ended June 30, 2020 and the related notes of the Northeast Ohio Regional Library System, Summit County 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.

***Emphasis of Matter***

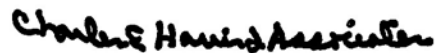
As discussed in Note 13 to the 2021 financial statements and Note 10 in the 2020 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Organization. We did not modify our opinions regarding this matter.

As discussed in Note 12 to the 2021 financial statements, the Organization made several changes to its reporting model. We did not modify our opinions regarding this matter.



***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2021, 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 13, 2021

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM  
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts</b>				
Intergovernmental	\$ 251,878	\$ 150,754	\$ -	\$ 402,632
Services Provided to Other Entities	26,268	-	-	26,268
Earnings on Investments	1,506	-	-	1,506
Miscellaneous	5,067	-	-	5,067
<i>Total Cash Receipts</i>	<u>284,719</u>	<u>150,754</u>	<u>-</u>	<u>435,473</u>
<b>Cash Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	166,440	24,191	-	190,631
Collection Development and Processing	200	5,671	-	5,871
Support Services:				
Facilities Operation and Maintenance	25,888	-	-	25,888
Business Administration	97,249	121,000	-	218,249
Capital Outlay	199	-	2,911	3,110
<i>Total Cash Disbursements</i>	<u>289,976</u>	<u>150,862</u>	<u>2,911</u>	<u>443,749</u>
<i>Net Change in Fund Cash Balances</i>	(5,257)	(108)	(2,911)	(8,276)
<i>Fund Cash Balances, July 1</i>	<u>945,783</u>	<u>7,489</u>	<u>17,729</u>	<u>971,001</u>
<i>Fund Cash Balances, June 30</i>	<u>\$ 940,526</u>	<u>\$ 7,381</u>	<u>\$ 14,818</u>	<u>\$ 962,725</u>

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

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM  
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2021**

	<b>Fiduciary Fund Type Custodial</b>
<b>Additions</b>	
Intergovernmental	\$ 3,235
Amounts Received as Fiscal Agent	54,707
<i>Total Cash Receipts</i>	<i>57,942</i>
<b>Deductions</b>	
Distributions as Fiscal Agent	36,928
Other Distributions	3,235
<i>Total Cash Disbursements</i>	<i>40,163</i>
<i>Net Change in Fund Cash Balances</i>	<i>17,779</i>
<i>Fund Cash Balances, July 1</i>	<i>173,208</i>
<i>Fund Cash Balances, June 30</i>	<i>\$ 190,987</i>

*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, 2021

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#### **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 public entity risk pools. Note 6 to the financial statements provides additional information for these entities.

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 fund types, and a combined statement of additions, deductions and changes in fund balances (regulatory cash basis) all 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.

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM**

*SUMMIT COUNTY, OHIO*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2021*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

***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:

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

***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 Organization had the following significant capital project fund:

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

***Fiduciary Funds*** Fiduciary funds include custodial funds.

Custodial funds are purely custodial in nature and are used to report fiduciary activity that is not required to be reported in a trust fund. The Library's custodial funds account for the OELMA Fund and the Group Purchasing Fund.

***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.

***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.

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM**

*SUMMIT COUNTY, OHIO*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2021*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

***Budgetary Process***

The Board must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the 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.

A summary of 2021 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. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Library and the nonspendable portion of the corpus in permanent funds.

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM**

*SUMMIT COUNTY, OHIO*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2021*

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**Note 2 - Summary of Significant Accounting Policies (continued)**

**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 an 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.

**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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

**Note 3 - Budgetary Activity**

Budgetary activity for the year ending June 30, 2021 follows:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$252,218	\$284,719	\$32,501
Special Revenue	130,998	150,754	19,756
Capital Projects	0	0	0

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM**

*SUMMIT COUNTY, OHIO*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2021*

**Note 3 - Budgetary Activity (continued)**

2021 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$352,497	\$289,976	\$62,521
Special Revenue	151,584	150,862	722
Capital Projects	3,000	2,911	89

**Note 4 – Deposits and Investments**

To improve cash management, cash received by the Organization is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Organization’s deposit and investment accounts are as follows:

	2021
<b><i>Cash Management Pool:</i></b>	
Demand deposits	\$317,026
Total deposits	317,026
U.S. Treasury Notes	
STAR Ohio	485,716
Repurchase agreement	254,942
Total investments	740,658
<i>Total carrying amount of deposits and investments held in the Pool</i>	<u>\$1,057,684</u>

The Organization does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings. At June 30, 2021, the Library is holding \$0 in unremitted employee payroll withholdings.

At June 30, 2021 the OELMA held \$96,028 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 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.



# NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

## SUMMIT COUNTY, OHIO

### Notes to the Financial Statements

### For the Year Ended June 30, 2021

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#### **Note 4 – Deposits and Investments (continued)**

##### ***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 not in the Organization's name. The securities are fully collateralized as part of OPCS.

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

#### **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**

##### **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.

The Organization belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

# NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

## SUMMIT COUNTY, OHIO

### Notes to the Financial Statements

### For the Year Ended June 30, 2021

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**Note 6 - Risk Management (continued)**

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM's property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

Assets	\$ 18,826,974
Liabilities	<u>( 13,530,267)</u>
Members' Equity	<u>\$ 5,296,707</u>

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**Note 7 - Defined Benefit Pension Plan*****Ohio Public Employees Retirement System***

All 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, 2021.

**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, 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 2021. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2021.

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM**

*SUMMIT COUNTY, OHIO*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2021*

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**Note 9 – Debt**

***Leases***

The Organization leases a building under noncancelable leases. The Organization disbursed \$20,255 to pay lease costs for the year ended June 30, 2021.

**Note 10 – Contingent Liabilities**

The Organization believes there are no pending claims or lawsuits.

**Note 11 – Fund Balances**

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. There were no encumbrances in 2021.

The fund balance of special revenue funds is either restricted or committed. The fund balance of capital projects funds are restricted, committed, or assigned. These restricted, committed, and assigned amounts in the special revenue and capital projects would including the outstanding encumbrances. In the general fund, outstanding encumbrances would be considered assigned.

**Note 12 – Change in Accounting Principle**

For 2021, the Organization has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, adding a separate combined statement of additions, deductions, and changes in fund balances (regulatory cash basis) – all fiduciary fund types, and removing the fund balance classifications from the combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) – all governmental fund types. There were no effects to the beginning fund balances.

**Note 13 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Organization. The Organization's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Organization's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM  
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts</b>				
Intergovernmental	\$ 238,559	\$ 159,731	\$ -	\$ 398,290
Services Provided to Other Entities	79,786	-	-	79,786
Earnings on Investments	9,811	-	-	9,811
Miscellaneous	753	-	-	753
<i>Total Cash Receipts</i>	<u>328,909</u>	<u>159,731</u>	<u>-</u>	<u>488,640</u>
<b>Cash Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	198,566	10,625	-	209,191
Collection Development and Processing	1,971	18,617	-	20,588
Support Services:				
Facilities Operation and Maintenance	26,230	-	-	26,230
Business Administration	92,234	123,000	-	215,234
Capital Outlay	-	-	915	915
<i>Total Cash Disbursements</i>	<u>319,001</u>	<u>152,242</u>	<u>915</u>	<u>472,158</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	9,908	7,489	(915)	16,482
<i>Fund Cash Balances, July 1</i>	<u>935,875</u>	<u>-</u>	<u>18,644</u>	<u>954,519</u>
<b>Fund Cash Balances, June 30</b>				
Restricted	21,222	7,489	-	28,711
Assigned	100,279	-	17,729	118,008
Unassigned	824,282	-	-	824,282
<i>Fund Cash Balances, June 30</i>	<u>\$ 945,783</u>	<u>\$ 7,489</u>	<u>\$ 17,729</u>	<u>\$ 971,001</u>

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

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM  
SUMMIT COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES  
ALL FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2020**

	<b>Fiduciary Fund Type Agency</b>
<b>Cash Receipts</b>	
Patron Fines and Fees	\$ 80,937
Services Provided to Other Entities	12,996
Miscellaneous	7,054
Total Cash Receipts	100,987
<b>Cash Disbursements</b>	
Purchased and Contracted Services	103,462
Support Services:	243
Total Cash Disbursements	103,705
<i>Net Change in Fund Cash Balances</i>	(2,718)
<i>Fund Cash Balances, July 1</i>	175,926
<i>Fund Cash Balances, June 30</i>	\$ 173,208

*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, 2020

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#### **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. 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, 2020

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#### 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 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 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.

#### **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, 2020

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#### Note 2 - Summary of Significant Accounting Policies (continued)

A summary of 2020 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



**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM**

*SUMMIT COUNTY, OHIO*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2020*

**Note 2 - Summary of Significant Accounting Policies (continued)**

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

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

The 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, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$352,606	\$328,909	(\$23,697)
Special Revenue	125,000	159,731	34,731
Capital Projects	0	0	0

2020 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$385,350	\$319,001	\$66,349
Special Revenue	164,909	152,242	12,667
Capital Projects	2,500	915	1,585

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM**

*SUMMIT COUNTY, OHIO*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2020*

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**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, 2020 was as follows:

	2020
Demand deposits	<u>\$304,938</u>
Total deposits	<u>304,938</u>
STAR Ohio	484,991
Repurchase agreement	<u>267,304</u>
Total investments	<u>752,295</u>
Total deposits and investments	<u><u>\$1,057,233</u></u>

At June 30, 2020 the OELMA held \$86,976 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.

**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.

## NORTHEAST OHIO REGIONAL LIBRARY SYSTEM

### SUMMIT COUNTY, OHIO

#### Notes to the Financial Statements

#### For the Year Ended June 30, 2020

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### 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 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, 2020.

### Note 8 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which include 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 of both the traditional pension and the combined plans. OPERS contributes 0% of the employer contribution to fund these benefits.

### Note 9 – Contingent Liabilities

The Organization believes there are no pending claims or lawsuits.

**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM**

*SUMMIT COUNTY, OHIO*

*Notes to the Financial Statements*

*For the Year Ended June 30, 2020*

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**Note 10 – COVID-19**

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Organization. The Organization's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Organization's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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 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 for each governmental fund type and the fiduciary fund type combined total as of and for the year ended June 30, 2021 and for each governmental and fiduciary fund type as of and for the year ended June 30, 2020, and related notes of the Northeast Ohio Regional Library System, Summit County, Ohio (the Organization) and have issued our report thereon dated December 13, 2021, wherein we noted the Organization followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Organization and several changes to its reporting model.

***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 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 deficiencies in internal control 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*.

However, we noted a matter not requiring inclusion in this report that we reported to the Organization's management in a separate letter dated December 13, 2021.

***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 13, 2021

# OHIO AUDITOR OF STATE KEITH FABER



**NORTHEAST OHIO REGIONAL LIBRARY SYSTEM**

**SUMMIT COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 2/22/2022**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)