



OHIO AUDITOR OF STATE
KEITH FABER



**ATHENS COUNTY PUBLIC LIBRARIES
ATHENS COUNTY
DECEMBER 31, 2018 AND 2017**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursement and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2018	3
Notes to the Financial Statements – December 31, 2018.....	5
Combined Statement of Receipts, Disbursement and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2017	11
Notes to the Financial Statements – December 31, 2017.....	13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Schedule of Findings.....	21
Summary Schedule of Prior Audit Findings (Prepared by Management).....	25

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



53 Johnson Road
The Plains, Ohio 45780-1231
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Athens County Public Libraries
Athens County
95 West Washington Street
Nelsonville, Ohio 45764

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Athens County Public Libraries, Athens County, Ohio (the Library), as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Library's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 2 of the financial statements, the Library prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Athens County Public Libraries, Athens County, Ohio, as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2019, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

August 28, 2019

Athens County Public Libraries
Athens County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$1,050,265	\$0	\$0	\$1,050,265
Public Library	1,933,858	0	0	1,933,858
Intergovernmental	19,633	0	0	19,633
Patron Fines and Fees	26,877	0	0	26,877
Grants	0	10,000	0	10,000
Contributions, Gifts and Donations	118,674	28,932	0	147,606
Earnings on Investments	23,688	0	0	23,688
Miscellaneous	68,485	0	0	68,485
<i>Total Cash Receipts</i>	<u>3,241,480</u>	<u>38,932</u>	<u>0</u>	<u>3,280,412</u>
Cash Disbursements				
Current:				
Library Services:				
Public Services and Programs	736,957	16,140	0	753,097
Collection Development and Processing	313,768	1,476	0	315,244
Support Services:				
Facilities Operation and Maintenance	355,205	4,202	0	359,407
Information Services	113,769	2,000	0	115,769
Business Administration	1,419,667	0	0	1,419,667
Capital Outlay	0	0	330,333	330,333
<i>Total Cash Disbursements</i>	<u>2,939,366</u>	<u>23,818</u>	<u>330,333</u>	<u>3,293,517</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>302,114</u>	<u>15,114</u>	<u>(330,333)</u>	<u>(13,105)</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	0	100,000	100,000
Transfers Out	(100,000)	0	0	(100,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(100,000)</u>	<u>0</u>	<u>100,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	202,114	15,114	(230,333)	(13,105)
<i>Fund Cash Balances, January 1</i>	<u>1,143,462</u>	<u>9,953</u>	<u>926,412</u>	<u>2,079,827</u>
Fund Cash Balances, December 31				
Restricted	0	25,067	0	25,067
Assigned	1,323,339	0	696,079	2,019,418
Unassigned (Deficit)	22,237	0	0	22,237
<i>Fund Cash Balances, December 31</i>	<u>\$1,345,576</u>	<u>\$25,067</u>	<u>\$696,079</u>	<u>\$2,066,722</u>

See accompanying notes to the financial statements.

This page intentionally left blank.

Athens County Public Libraries
Athens County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

Athens County Public Libraries (the Library), Athens County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Nelsonville-York City School District Board of Education appoints a seven-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity", the Library is considered to be a related organization of the Nelsonville-York City School District.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Library are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

O'Bleness Foundation Fund The O'Bleness Fund accounts for and reports grant monies restricted within the Library.

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

Capital Projects Fund – The Capital Projects Fund accounts for and reports monies set aside by the Board specifically for major capital improvements.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

Athens County Public Libraries
Athens County
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2018

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code §117-2-03(D) permit.

Budgetary Process

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

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

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

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

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

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed The Board of Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by the Library Board or a Library official delegated that authority by resolution, or by State Statute.

Athens County Public Libraries
Athens County
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2018

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

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,892,027	\$3,241,480	\$349,453
Special Revenue	33,251	38,932	5,681
Capital Projects	100,000	100,000	0
Total	\$3,025,278	\$3,380,412	\$355,134

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,035,489	\$3,061,602	\$973,887
Special Revenue	43,204	23,818	19,386
Capital Projects	1,026,412	355,956	670,456
Total	\$5,105,105	\$3,441,376	\$1,663,729

Note 4 – Deposits and Investments

The Library maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2018
Demand Deposits	\$1,047,627
Total Deposits	1,047,627
STAR Ohio	1,019,095
Total Investments	1,019,095
Total Deposits and Investments	\$2,066,722

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.

Athens County Public Libraries
Athens County
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2018

Investments

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

Note 5 – Grants in Aid and Taxes

Grants in Aid

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June of the subsequent year.

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

Note 6 – Risk Management

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

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Library contributed an amount equaling 14%, of participants' gross salaries. The Library has paid all contributions required through December 31, 2017.

Athens County Public Libraries
Athens County
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2018

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 2018.

Note 9 – Contingent Liabilities

Amounts grantor agencies pay to the Library are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

This page intentionally left blank.

Athens County Public Libraries
Athens County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$1,064,749	\$0	\$0	\$1,064,749
Public Library	1,859,192	0	0	1,859,192
Intergovernmental	16,713	0	0	16,713
Patron Fines and Fees	26,073	0	0	26,073
Grants	0	5,000	0	5,000
Contributions, Gifts and Donations	46,947	25,111	0	72,058
Earnings on Investments	8,613	0	0	8,613
Miscellaneous	22,226	0	0	22,226
<i>Total Cash Receipts</i>	<u>3,044,513</u>	<u>30,111</u>	<u>0</u>	<u>3,074,624</u>
Cash Disbursements				
Current:				
Library Services:				
Public Services and Programs	832,531	16,040	0	848,571
Collection Development and Processing	269,892	2,118	0	272,010
Support Services:				
Facilities Operation and Maintenance	401,897	0	0	401,897
Information Services	90,728	2,000	0	92,728
Business Administration	1,101,157	0	0	1,101,157
Capital Outlay	6,055	0	159,678	165,733
<i>Total Cash Disbursements</i>	<u>2,702,260</u>	<u>20,158</u>	<u>159,678</u>	<u>2,882,096</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>342,253</u>	<u>9,953</u>	<u>(159,678)</u>	<u>192,528</u>
Other Financing Receipts (Disbursements)				
Transfers In	0	0	900,000	900,000
Transfers Out	(900,000)	0	0	(900,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(900,000)</u>	<u>0</u>	<u>900,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(557,747)	9,953	740,322	192,528
<i>Fund Cash Balances, January 1</i>	<u>1,701,209</u>	<u>0</u>	<u>186,090</u>	<u>1,887,299</u>
Fund Cash Balances, December 31				
Restricted	0	9,953	0	9,953
Assigned	1,143,462	0	926,412	2,069,874
<i>Fund Cash Balances, December 31</i>	<u>\$1,143,462</u>	<u>\$9,953</u>	<u>\$926,412</u>	<u>\$2,079,827</u>

See accompanying notes to the financial statements.

This page intentionally left blank.

Athens County Public Libraries
Athens County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

Athens County Public Libraries (the Library), Athens County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Nelsonville-York City School District Board of Education appoints a seven-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity", the Library is considered to be a related organization of the Nelsonville-York City School District.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Library are presented below:

General Fund The General Fund accounts for and reports all financial resources not accounted for and reported in another fund. The General Fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

O'Bleness Foundation Fund The O'Bleness Fund accounts for and reports grant monies restricted within the Library.

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

Capital Projects Fund – The Capital Projects Fund accounts for and reports monies set aside by the Board specifically for major capital improvements.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

Athens County Public Libraries
Athens County
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code §117-2-03(D) permit.

Budgetary Process

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

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

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

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

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

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed The Board of Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General Fund report all fund balances as *assigned* unless they are restricted or committed. In the General Fund, *assigned* amounts represent intended uses established by the Library Board or a Library official delegated that authority by resolution, or by State Statute.

Athens County Public Libraries
Athens County
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

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

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,887,144	\$3,044,513	\$157,369
Special Revenue	25,118	30,111	4,993
Capital Projects	900,000	900,000	0
Total	\$3,812,262	\$3,974,624	\$162,362

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,200,923	\$3,613,175	\$587,748
Special Revenue	25,118	20,158	4,960
Capital Projects	1,086,090	159,678	926,412
Total	\$5,312,131	\$3,793,011	\$1,519,120

Note 4 – Deposits and Investments

The Library maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2017
Demand Deposits	\$1,576,712
Total Deposits	1,576,712
STAR Ohio	503,115
Total Investments	503,115
Total Deposits and Investments	\$2,079,827

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.

Athens County Public Libraries
Athens County
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

Investments

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

Note 5 – Grants in Aid and Taxes

Grants in Aid

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June of the subsequent year.

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

Note 6 – Risk Management

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

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Library contributed an amount equaling 14%, of participants' gross salaries. The Library has paid all contributions required through December 31, 2017.

Athens County Public Libraries
Athens County
Notes to the Financial Statements (Continued)
For the Year Ended December 31, 2017

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 1 percent during calendar year 2017.

Note 9 – Contingent Liabilities

Amounts grantor agencies pay to the Library are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



53 Johnson Road
The Plains, Ohio 45780-1231
(740) 594-3300 or (800) 441-1389
SoutheastRegion@ohioauditor.gov

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

Athens County Public Libraries
Athens County
95 West Washington Street
Nelsonville, Ohio 45764

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Athens County Public Libraries, Athens County, Ohio (the Library), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated August 28, 2019 wherein we noted the Library followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library's internal control. Accordingly, we have not opined on it.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Library's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider findings 2018-001 and 2018-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts.

However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Library's Responses to Findings

The Library's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the Library's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

August 28, 2019

**ATHENS COUNTY PUBLIC LIBRARIES
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

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

FINDING NUMBER 2018-001

Material Weakness – Proper Posting

In our audit engagement letter, as required by AU-C § 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C § 210 paragraphs .A14 & .A16.

Additionally, Auditor of State Bulletin 2011-004 mandated Governmental Accounting Standard Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions for financial statements for periods beginning after June 15, 2010.

The Fiscal Officer classified certain transactions incorrectly resulting in material audit adjustments.

- The Fiscal Officer did not properly classify funds and fund balances in accordance with GASB 54 as outlined in AOS Bulletin 2011-004.
 - Because the 2019 General Fund appropriations exceeded the 2019 General Fund estimated receipts, \$1,323,339 of the December 31, 2018 Fund Cash Balance was reclassified as Assigned rather than Unassigned. Because the 2018 General Fund appropriations exceeded the 2018 General Fund estimated receipts, \$1,143,462 of the December 31, 2017 Fund Cash Balance was reclassified as Assigned rather than Unassigned.
 - The Capital Projects fund balances were improperly classified based on the nature of the funding source. As a result, \$696,079 of the December 31, 2018 Fund Cash Balance and \$926,412 of the December 31, 2017 Fund Cash Balance was reclassified as Assigned rather than Restricted.
- In 2017, the Fiscal Officer posted an interfund transfer of \$900,000 from the General Fund to the Capital Projects Fund incorrectly as an adjustment to the January 1, 2017 Fund Cash Balances. As a result, the January 1, 2017 Fund Cash Balance and Transfers Out were increased \$900,000 for the General Fund and the Capital Projects Fund January 1, 2017 Fund Cash Balance decreased \$900,000 while Transfers In increased \$900,000.

These misstatements were caused by confusion over proper classifications. As a result, significant adjustments and reclassifications, with which the Library's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

The Fiscal Officer should take additional care in posting transactions to the Library's ledgers in order to ensure the financial statements reflect the appropriate sources of the receipts and expenditures.

Officials' Response: The same confusion from issue 2016-001 continued into fund balances 2017-2018. This process was explained, and will be done correctly moving forward.

**ATHENS COUNTY PUBLIC LIBRARIES
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2018-002

Material Weakness – Budgetary Amounts in the Accounting System

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The appropriation resolution and subsequent amendments establish the legal spending authority of the Library and the appropriation ledger provides the process by which the Library controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger

The original certificate and amendments establish the amounts available for expenditures for the Library and the receipts ledger provides the process by which the Library controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

At December 31, 2018, estimated receipts, as approved by the Budget Commission, and appropriations, as approved by the Board, did not agree to the Library's accounting system as follows:

Fund	Appropriations as Approved by the Board	Appropriations per the Accounting System	Variance
General Fund (1000)	4,035,489	4,024,713	10,776
Fund	Budgeted Receipts per the Amended Certificate of Estimated Resources	Budgeted Receipts per the Accounting System	Variance
General Fund (1000)	2,892,027	3,241,479	(349,452)
Kleinpenny Fund (2001)	4,000	5,000	(1,000)
Friends of Athens Library Fund (2003)	19,251	22,932	(3,681)
Betcher Fund (2004)	0	1,000	(1,000)

At December 31, 2017, estimated receipts, as approved by the Budget Commission, and appropriations, as approved by the Board, did not agree to the Library's accounting system as follows:

**ATHENS COUNTY PUBLIC LIBRARIES
ATHENS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2018-002 (Continued)

Material Weakness – Budgetary Amounts in the Accounting System (Continued)

Fund	Appropriations as Approved by the Board	Appropriations per the Accounting System	Variance
General Fund (1000)	4,200,923	3,309,620	891,303
Betcher Fund (2004)	0	1,000	(1,000)

Fund	Budgeted Receipts per the Amended Certificate of Estimated Resources	Budgeted Receipts per the Accounting System	Variance
General Fund (1000)	2,887,144	3,044,513	(157,369)
Kleinpenny Fund (2001)	4,000	5,000	(1,000)
Friends of Athens Library Fund (2003)	16,118	19,111	(2,993)
Betcher Fund (2004)	0	1,000	(1,000)
Capital Projects Fund (4002)	900,000	0	900,000

The Library did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by Board were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not posted to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Library should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Library should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Officials' Response: The same confusion from issue 2016-002 continued into supplemental revenue reporting for 2017-2018. This process was explained, and will be done correctly moving forward.

This page intentionally left blank.



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Status	Additional Information
2016-001	Material Weakness for revenue and expenditure transactions incorrectly posted and improper equity classifications resulting in material audit adjustments.	Not Corrected	The Fiscal Office thanks the Auditor of State's Office for explaining the process around classifying monies, and funds. Our old ideas followed through to this current audit as a fault of the fiscal office not fully understanding, not only when this classification happens, but also how to correctly classify. However, this was explained and fully understood now, and will be corrected going forward.
2016-002	Material Weakness for budgetary information posted to the accounting system differing from the amounts formally approved.	Not Corrected	The Fiscal Office thanks the Auditor of State's Office for also explaining this process. Through turnover of Fiscal Officer some old ways of handling Certificates of Estimated Resources were continued, and have been shown as incorrect. All supplemental revenues must be recorded with the county, not just those that immediately get appropriated, as was the process before. Our amounts match the county as of 1/1/2019, and will continue to reflect all revenues going forward.

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



ATHENS COUNTY PUBLIC LIBRARY

ATHENS 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
SEPTEMBER 10, 2019**