

***MARY LOU JOHNSON –
HARDIN COUNTY DISTRICT LIBRARY***

HARDIN COUNTY

Regular Audit

For the Years Ended December 31, 2019 and 2018





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Board of Trustees
Mary Lou Johnson-Hardin County District Library
325 East Columbus Street
Kenton, Ohio 43326

We have reviewed the *Independent Auditor's Report* of the Mary Lou Johnson-Hardin County District Library, Hardin County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Mary Lou Johnson-Hardin County District Library is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

July 24, 2020

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Mary Lou Johnson-Hardin County District Library

Hardin County

For the Years Ended December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

Mary Lou Johnson – Hardin County District Library
Hardin County
325 East Columbus Street
Kenton, OH 43326

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 Mary Lou Johnson – Hardin County District Library, Hardin County, Ohio (the Library) as of and for the years ended December 31, 2019 and 2018.

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 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 the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe 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 Library 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 determined, 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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial 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, 2019 and 2018, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

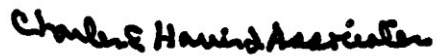
In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Mary Lou Johnson – Hardin County District Library, Hardin County as of December 31, 2019 and 2018, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of matter

As discussed in Note 10 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Library. 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 May 25, 2020, on our consideration of the Library’s internal control over financial reporting and on 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 Library’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 Library’s internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
May 25, 2020

Mary Lou Johnson – Hardin County District Library
Hardin County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

| | General | Special Revenue | Capital Projects | Permanent | Totals (Memorandum Only) |
|---|--------------------|--------------------|---------------------|-----------------|--------------------------------|
| Cash Receipts | | | | | |
| Public Library | \$451,458 | \$0 | \$0 | \$0 | \$451,458 |
| Patron Fines and Fees | 13,978 | 0 | 0 | 0 | 13,978 |
| Contributions, Gifts and Donations | 12,670 | 1,021 | 0 | 0 | 13,691 |
| Earnings on Investments | 179,917 | 0 | 0 | 0 | 179,917 |
| Miscellaneous | 5,309 | 0 | 0 | 0 | 5,309 |
| <i>Total Cash Receipts</i> | <u>663,332</u> | <u>1,021</u> | <u>0</u> | <u>0</u> | <u>664,353</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| Library Services: | | | | | |
| Public Services and Programs | 337,464 | 0 | 0 | 0 | 337,464 |
| Collection Development and Processing | 100,944 | 0 | 0 | 0 | 100,944 |
| Support Services: | | | | | |
| Facilities Operation and Maintenance | 65,509 | 0 | 0 | 0 | 65,509 |
| Information Services | 22,215 | 0 | 0 | 0 | 22,215 |
| Business Administration | 125,866 | 0 | 0 | 0 | 125,866 |
| Capital Outlay | 15,500 | 0 | 0 | 0 | 15,500 |
| <i>Total Cash Disbursements</i> | <u>667,498</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>667,498</u> |
| <i>Net Change in Fund Cash Balances</i> | (4,166) | 1,021 | 0 | 0 | (3,145) |
| <i>Fund Cash Balances, January 1</i> | <u>2,050,705</u> | <u>94,542</u> | <u>15,403</u> | <u>43,527</u> | <u>2,204,177</u> |
| Fund Cash Balances, December 31 | | | | | |
| Nonspendable | 0 | 0 | 0 | 43,527 | 43,527 |
| Restricted | 0 | 95,563 | 0 | 0 | 95,563 |
| Assigned | 291,256 | 0 | 15,403 | 0 | 306,659 |
| Unassigned | 1,755,283 | 0 | 0 | 0 | 1,755,283 |
| <i>Fund Cash Balances, December 31</i> | <u>\$2,046,539</u> | <u>\$95,563</u> | <u>\$15,403</u> | <u>\$43,527</u> | <u>\$2,201,032</u> |

See accompanying notes to the financial statements

Mary Lou Johnson-Hardin County District Library
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The Mary Lou Johnson-Hardin County District Library (the Library), Hardin 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 Library is directed by a seven-member Board of Trustees; four trustees are appointed by the Hardin County Commissioners and three by the Judge of the County Common Pleas Court. The Library provides the community with various educational and literary resources.

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 Fund:

Book Endowment Expendable Trust Fund The book endowment expendable trust fund accounts for and reports on donations to the Library used to purchase books and related items.

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

Capital Project Fund The capital project fund accounts for and reports the receipt of monies set aside by the action of the Board for future capital outlays.

Permanent Fund These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting library's programs (for the benefit of the government or its citizenry). The Library had the following significant permanent fund:

Mary Lou Johnson-Hardin County District Library
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

Carl Russell Estate Fund The Carl Russell estate fund accounts for and reports the receipt of interest earnings to be used to maintain the Library's collection.

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 disbursements 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 expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, and object level of control.

A summary of 2019 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.

The Library values U.S. Treasury Notes and common stock at cost. 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 a 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 retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Library's basis of accounting.

Mary Lou Johnson-Hardin County District Library
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (continued)

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. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

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.

Mary Lou Johnson-Hardin County District Library
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 - Budgetary Activity

Budgetary activity for the year ended December 31, 2019 follows:

| 2019 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$640,090 | \$663,332 | \$23,242 |
| Special Revenue | 2,500 | 1,021 | (1,479) |

| 2018 Budgeted vs. Actual Budgetary Basis Disbursements | | | |
|--|----------------------------|----------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Disbursements | Variance |
| General | \$744,388 | \$669,950 | \$74,438 |
| Special Revenue | 0 | 0 | 0 |

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:

| | |
|------------------------------|--------------|
| | 2019 |
| Demand deposits | \$37,762 |
| Money Market | 114,760 |
| Certificate of Deposit | 968,516 |
| Total deposits | 1,121,038 |
| | |
| CDARS | 400,000 |
| Star Ohio | 441,567 |
| Common Stock | 238,427 |
| Total Investments | 1,079,994 |
| Total Deposits & Investments | \$ 2,201,032 |

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation and National Credit Union Administration, 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.

Mary Lou Johnson-Hardin County District Library
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 – Deposits and Investments – (Continued)

Investments

A financial institution's trust department holds the Library's equity securities in book-entry form in the Library's name.

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

Note 5 – Grants in Aid

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.

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.

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

Settled claims have not exceeded this coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

Mary Lou Johnson-Hardin County District Library
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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, 2019.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, 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 of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2019.

Note 9 – Contingent Liabilities

The Library may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Library's financial condition.

Note 10 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Library. The Library's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Library's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Mary Lou Johnson – Hardin County District Library
Hardin 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 | Permanent | Totals (Memorandum Only) |
|---|--------------------|--------------------|---------------------|-----------------|--------------------------------|
| Cash Receipts | | | | | |
| Public Library | \$457,833 | \$0 | \$0 | \$0 | \$457,833 |
| Patron Fines and Fees | 15,587 | 0 | 0 | 0 | 15,587 |
| Contributions, Gifts and Donations | 8,900 | 0 | 0 | 0 | 8,900 |
| Earnings on Investments | 154,951 | 0 | 0 | 0 | 154,951 |
| Miscellaneous | 3,573 | 0 | 0 | 0 | 3,573 |
| <i>Total Cash Receipts</i> | <u>640,844</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>640,844</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| Library Services: | | | | | |
| Public Services and Programs | 362,475 | 161 | 0 | 0 | 362,636 |
| Collection Development and Processing | 80,759 | 0 | 0 | 0 | 80,759 |
| Support Services: | | | | | |
| Facilities Operation and Maintenance | 70,138 | 0 | 0 | 0 | 70,138 |
| Information Services | 18,930 | 0 | 0 | 0 | 18,930 |
| Business Administration | 116,920 | 0 | 0 | 0 | 116,920 |
| Capital Outlay | 6,844 | 0 | 0 | 0 | 6,844 |
| <i>Total Cash Disbursements</i> | <u>656,066</u> | <u>161</u> | <u>0</u> | <u>0</u> | <u>656,227</u> |
| <i>Net Change in Fund Cash Balances</i> | (15,222) | (161) | 0 | 0 | (15,383) |
| <i>Fund Cash Balances, January 1</i> | <u>2,065,927</u> | <u>94,703</u> | <u>15,403</u> | <u>43,527</u> | <u>2,219,560</u> |
| Fund Cash Balances, December 31 | | | | | |
| Nonspendable | 0 | 0 | 0 | 43,527 | 43,527 |
| Restricted | 0 | 94,542 | 0 | 0 | 94,542 |
| Assigned | 108,681 | 0 | 15,403 | 0 | 124,084 |
| Unassigned | 1,942,024 | 0 | 0 | 0 | 1,942,024 |
| <i>Fund Cash Balances, December 31</i> | <u>\$2,050,705</u> | <u>\$94,542</u> | <u>\$15,403</u> | <u>\$43,527</u> | <u>\$2,204,177</u> |

See accompanying notes to the financial statements

Mary Lou Johnson-Hardin County District Library
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Mary Lou Johnson-Hardin County District Library (the Library), Hardin 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 Library is directed by a seven-member Board of Trustees; four trustees are appointed by the Hardin County Commissioners and three by the Judge of the County Common Pleas Court. The Library provides the community with various educational and literary resources.

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:

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

Book Endowment Expendable Trust Fund The book endowment expendable trust fund accounts for and reports on donations to the Library used to purchase books and related items.

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

Capital Project Fund The capital project fund accounts for and reports the receipt of monies set aside by the action of the Board for future capital outlays.

Permanent Fund These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting library's programs (for the benefit of the government or its citizenry). The Library had the following significant permanent fund:

Mary Lou Johnson-Hardin County District Library
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

Carl Russell Estate Fund The Carl Russell estate fund accounts for and reports the receipt of interest earnings to be used to maintain the Library's collection.

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 disbursements 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 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.

The Library values U.S. Treasury Notes and common stock at cost.

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 retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Library's basis of accounting.

Mary Lou Johnson-Hardin County District Library
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (continued)

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. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

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.

Mary Lou Johnson-Hardin County District Library
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 - Budgetary Activity

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

| 2018 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$650,102 | \$640,844 | (\$9,258) |
| Special Revenue | 2,500 | 0 | (2,500) |

| 2018 Budgeted vs. Actual Budgetary Basis Disbursements | | | |
|--|----------------------------|----------------------------|----------|
| Fund Type | Appropriation Authority | Budgetary Disbursements | Variance |
| General | \$760,660 | \$666,562 | \$94,098 |
| Special Revenue | 1,500 | 161 | 1,339 |

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 | \$32,901 |
| Money Market | 112,064 |
| Certificate of Deposit | 1,420,784 |
| Total deposits | 1,565,750 |
| | |
| CDARS | 400,000 |
| Common Stock | 238,427 |
| Total Investments | 638,427 |
| Total Deposits & Investments | \$ 2,204,177 |

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation and National Credit Union Administration, 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.

Mary Lou Johnson-Hardin County District Library
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 – Deposits and Investments – (Continued)

Investments

A financial institution's trust department holds the Library's equity securities in book-entry form in the Library's name.

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

Note 5 – Grants in Aid

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.

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.

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

Settled claims have not exceeded this coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

Mary Lou Johnson-Hardin County District Library
Hardin County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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, 2018.

Note 8 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, 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 of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2018.

Note 9 – Contingent Liabilities

The Library may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Library's financial condition.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mary Lou Johnson–Hardin County District Library
Hardin County
325 East Columbus Street
Kenton, OH 43326

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts and disbursements by fund type of the Mary Lou Johnson–Hardin County District Library, Hardin County (the Library) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated May 25, 2020, wherein we noted the Library followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Library.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library'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 Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library'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 Library's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider finding 2019-001 in the Schedule of Findings to be a material weakness.

Compliance and Other Matters

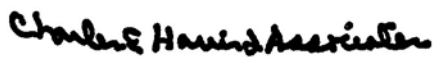
As part of obtaining reasonable assurance about whether the Library’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2019-001.

Entity’s Response to Finding

The Library’s response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the Library’s response and, accordingly, we express no opinion on it.

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 Library’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
May 25, 2020

Mary Lou Johnson-Hardin County District Library
Hardin County
Schedule of Findings
December 31, 2019 and 2018

| |
|--|
| Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS |
|--|

Finding Number: 2019-001 – Material Weakness and Non-compliance

Ohio Revised Code Section 117.38 states, in part, cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

The Library uses the Uniform Accounting Network (UAN) for financial reporting which reports financial information on a general line called Library Services. The prescribed format issued by the Auditor of State’s office is reported at the object level below the categories of Library Services and Support Services. The Library filed the 2019 and 2018 annual report with the UAN financial statements which is not in conformity with the prescribed reporting format issued by the Auditor of State’s office.

The Library’s audited financial statements were adjusted to report financial activity in accordance with the Auditor of State prescribed format.

We also noted several errors in the Library’s financial statements that required audit adjustments and reclassifications, the most significant of which are as follows:

- In 2019, the subsequent year appropriations that exceed subsequent year estimated receipts were incorrectly reported as Unassigned Fund Balance instead of Assigned.
- In both years, activity and the fund balance of Endowment Fund to support the general operation of the Library were included in the Special Revenue fund rather than the General fund and the fund balance was classified as assigned versus unassigned fund balance.

The adjustments above were made to the audited financial statements.

Sound financial reporting is the responsibility of the Library and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. We recommend the Library adopt policies and procedures to identify and correct errors and omissions in a timely manner. Management can use Governmental Accounting Standards Board Statement Number 54, Auditor of State bulletin 2011-004, the Ohio Administrative Code, the Uniform Accounting Network manual and other Auditor of State guidance to aid in properly identifying account classifications and preparing annual financial statements. We also recommend reviewing the Auditor of State financial statement templates on their website to determine how to report activity.

Management’s Response:

See Corrective Action Plan on page 21.

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Mary Lou Johnson-Hardin County District Library
Hardin County
 Corrective Action Plan – Prepared by Management
 December 31, 2019 and 2018

| Finding Number | Planned Corrective Action | Anticipated Completion Date | Responsible Contact Person |
|-----------------------|---|------------------------------------|---|
| 2019-001 | Management has and will work on properly identifying account classifications through our UAN reporting. Management also plans to use more care in completing the financial statements here on out and will review all postings prior to future filings. | June 29, 2020 | Camella S. Hemmerly, the Fiscal Officer |

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OHIO AUDITOR OF STATE KEITH FABER



MARY LOU JOHNSON HARDIN COUNTY DISTRICT LIBRARY

HARDIN 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 8/6/2020

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This report is a matter of public record and is available online at
www.ohioauditor.gov