



Dave Yost • Auditor of State

SABINA PUBLIC LIBRARY
CLINTON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Sabina Public Library
Clinton County
11 E. Elm Street
Sabina, Ohio 45169

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 Sabina Public Library, Clinton County, Ohio (the Library) as of and for the years ended December 31, 2016 and 2015.

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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on 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 Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

Though the 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, 2016 and 2015, 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 the Sabina Public Library, Clinton County as of December 31, 2016 and 2015, 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2017, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

November 16, 2017

Sabina Public Library
Clinton County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

| | 2016 |
|---|-------------|
| Cash Receipts | |
| Property and Other Local Taxes | \$90,957 |
| Public Library | 209,381 |
| Intergovernmental | 12,097 |
| Patron Fines and Fees | 2,275 |
| Contributions, Gifts and Donations | 22,105 |
| Earnings on Investments | 1,300 |
| Miscellaneous | 241 |
| | <hr/> |
| <i>Total Cash Receipts</i> | 338,356 |
| | <hr/> |
| Cash Disbursements | |
| Current: | |
| Library Services: | 322,316 |
| Capital Outlay | 6,669 |
| Debt Service: | |
| Principal Retirement | 23,437 |
| Interest and Fiscal Charges | 228 |
| | <hr/> |
| <i>Total Cash Disbursements</i> | 352,650 |
| | <hr/> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (14,294) |
| | <hr/> |
| Other Financing Receipts (Disbursements) | |
| Sale of Capital Assets | 1,431 |
| | <hr/> |
| <i>Total Other Financing Receipts (Disbursements)</i> | 1,431 |
| | <hr/> |
| <i>Net Change in Fund Cash Balances</i> | (12,863) |
| | <hr/> |
| <i>Fund Cash Balances, January 1</i> | 304,774 |
| | <hr/> |
| Fund Cash Balances, December 31 | |
| Assigned | 4,220 |
| Unassigned (Deficit) | 287,691 |
| | <hr/> |
| <i>Fund Cash Balances, December 31</i> | \$291,911 |
| | <hr/> <hr/> |

See accompanying notes to the basic financial statements

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SABINA PUBLIC LIBRARY
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Sabina Public Library (the Library), Clinton 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 East Clinton School Board appoints a seven-member Board of Trustees to govern the Library. 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.

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.

Basis of Accounting

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

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

Budgetary Process

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

A summary of 2016 budgetary activity appears in Note 4.

SABINA PUBLIC LIBRARY
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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.

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.

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.

SABINA PUBLIC LIBRARY
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$356,870 for the year ended December 31, 2016.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

| 2016 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$334,183 | \$339,787 | \$5,604 |
| Total | \$334,183 | \$339,787 | \$5,604 |

| 2016 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$0 | \$356,870 | (\$356,870) |
| Total | \$0 | \$356,870 | (\$356,870) |

The Library budgeted and accounted for a Permanent Fund separately, but the Permanent Fund was consolidated into the General Fund due to GASB 54. The Permanent Fund budget and actual information was consolidated into the General Fund budgetary activity above.

Note 5 – Deposits

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

| | |
|-----------------|-----------|
| | 2016 |
| Demand deposits | \$291,911 |

Deposits

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

Note 6 – 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

SABINA PUBLIC LIBRARY
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 homestead and rollback deductions. The financial statements include homestead and rollback 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.

Public utilities are also taxed on personal and real property located within the taxing district.

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

Note 7 - Risk Management

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Computer hardware;
- Earthquake; and
- Flooding

Note 8 - Defined Benefit Pension Plans

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, 2016.

Note 9 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Sabina Public Library*Clinton County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2015*

| | <u>2015</u> |
|---|-------------------------|
| Cash Receipts | |
| Property and Other Local Taxes | \$97,514 |
| Public Library | 210,856 |
| Intergovernmental | 12,330 |
| Patron Fines and Fees | 2,178 |
| Contributions, Gifts and Donations | 2,057 |
| Earnings on Investments | 981 |
| Miscellaneous | <u>2,644</u> |
| <i>Total Cash Receipts</i> | <u>328,560</u> |
| Cash Disbursements | |
| Current: | |
| Library Services: | 305,336 |
| Capital Outlay | 31,339 |
| Debt Service: | |
| Principal Retirement | 1,661 |
| Interest and Fiscal Charges | <u>1,149</u> |
| <i>Total Cash Disbursements</i> | <u>339,485</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(10,925)</u> |
| Other Financing Receipts (Disbursements) | |
| Sale of Notes | 25,000 |
| Sale of Capital Assets | <u>821</u> |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>25,821</u> |
| <i>Net Change in Fund Cash Balances</i> | 14,896 |
| <i>Fund Cash Balances, January 1</i> | <u>289,878</u> |
| Fund Cash Balances, December 31 | |
| Assigned | 6,389 |
| Unassigned (Deficit) | <u>298,385</u> |
| <i>Fund Cash Balances, December 31</i> | <u><u>\$304,774</u></u> |

See accompanying notes to the basic financial statements

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SABINA PUBLIC LIBRARY
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 - Reporting Entity

The Sabina Public Library (the Library), Clinton 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 East Clinton School Board appoints a seven-member Board of Trustees to govern the Library. 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

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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.

Basis of Accounting

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

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

Budgetary Process

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

A summary of 2015 budgetary activity appears in Note 4.

SABINA PUBLIC LIBRARY
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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.

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.

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.

SABINA PUBLIC LIBRARY
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$38,653 for the year ended December 31, 2015.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2015 follows:

| 2015 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$315,745 | \$354,381 | \$38,636 |
| Total | \$315,745 | \$354,381 | \$38,636 |

| 2015 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$307,221 | \$345,874 | (\$38,653) |
| Total | \$307,221 | \$345,874 | (\$38,653) |

The Library budgeted and accounted for a Permanent Fund separately, but the Permanent Fund was consolidated into the General Fund due to GASB 54. The Permanent Fund budget and actual information was consolidated into the General Fund budgetary activity above.

Note 5 – Deposits

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

| | |
|-----------------|-----------|
| | 2015 |
| Demand deposits | \$304,774 |

Deposits

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

Note 6 – 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

SABINA PUBLIC LIBRARY
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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 homestead and rollback deductions. The financial statements include homestead and rollback 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.

Public utilities are also taxed on personal and real property located within the taxing district.

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

Note 7 - Risk Management

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Computer hardware;
- Earthquake; and
- Flooding

Note 8 - Defined Benefit Pension Plans

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, 2015.

Note 9 - Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

SABINA PUBLIC LIBRARY
Clinton County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 10 – Debt

Debt outstanding at December 31, 2015 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|-----------------|------------------|----------------------|
| Promissory Note | <u>\$23,367</u> | 5.50% |

The District signed a loan with The National Bank and Trust Company to finance the building of the new New Vienna Library branch. The bank did not provide an amortization schedule for the loan.

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Dave Yost • Auditor of State

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

Sabina Public Library
Clinton County
11 E. Elm Street
Sabina, Ohio 45169

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 Sabina Public Library, Clinton County (the Library) as of and for the year ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated November 16, 2017, wherein we noted the Library followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial 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 2016-001 and 2016-003 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-002 and 2016-003.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses 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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

November 16, 2017

**SABINA PUBLIC LIBRARY
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

MATERIAL WEAKNESS

Governments are required to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, document compliance with finance related legal and contractual requirements and prepare financial statements.

The Library lacked controls to ensure that certain transactions were posted accurately. We identified the following posting errors:

| 2016 | | | | | |
|--|------------------------------------|---------------|---|------------------------------------|---------------|
| <i>Transaction as Posted (incorrect)</i> | | | <i>Correct Transaction Posting</i> | | |
| Fund | Account | Amount | Fund | Account | Amount |
| Permanent Fund | Fund Balance-Beginning | \$16,765 | General Fund | Fund Balance-Beginning | \$16,765 |
| Permanent Fund | Contributions, Gifts and Donations | \$825 | General Fund | Contributions, Gifts and Donations | \$825 |
| Permanent Fund | Earnings on Investments | \$891 | General Fund | Earnings on Investments | \$891 |
| Permanent Fund | Library Services | \$114 | General Fund | Library Services | \$114 |
| <p>The Library receives money from a trust that was reported as a Permanent Fund, however there were no externally imposed restrictions on the use of the monies. Sources of revenue for this fund during 2016 were donations and investment income from the principal that is not in the Library's name or fund balance. Under Governmental Accounting Standards Board (GASB) statement No. 54 guidelines, the Library should have reported the money with no restrictions as Unassigned in the General Fund.</p> | | | | | |
| General Fund | Not Recorded | \$0 | General Fund | Principal Interest | \$14,538 |
| | | | | | \$114 |
| General Fund | Not Recorded | \$0 | General Fund | Donations | \$14,652 |
| <p>The Library received a donation (that was directly paid to the bank) from the Clinton County Foundation to assist in the payoff of the Library outstanding debt. The activity was not recorded on the Library system or financial statements.</p> | | | | | |

| 2015 | | | | | |
|---|------------------------------------|---------------|---|------------------------------------|---------------|
| <i>Transaction as Posted (incorrect)</i> | | | <i>Correct Transaction Posting</i> | | |
| Fund | Account | Amount | Fund | Account | Amount |
| Permanent Fund | Fund Balance-Beginning | \$16,510 | General Fund | Fund Balance-Beginning | \$16,510 |
| Permanent Fund | Contributions, Gifts and Donations | \$1,044 | General Fund | Contributions, Gifts and Donations | \$1,044 |
| Permanent Fund | Earnings on Investments | \$606 | General Fund | Earnings on Investments | \$606 |
| Permanent Fund | Library Services | \$1,395 | General Fund | Library Services | \$1,395 |

**FINDING NUMBER 2016-001
 (Continued)**

| | | | | | |
|---|--------------|----------|--------------|-------------------|----------|
| The Library receives money from a trust that was reported as a Permanent Fund; however there were no externally imposed restrictions on the use of the monies. Sources of revenue for this fund during 2015 were donations and investment income from the principal that is not in the Library's name or fund balance. Under Governmental Accounting Standards Board (GASB) statement No. 54 guidelines, the Library should have reported the money with no restrictions as Unassigned in the General Fund. | | | | | |
| General Fund | Not Recorded | \$0 | General Fund | Sale of Notes | \$25,000 |
| General Fund | Not Recorded | \$0 | General Fund | Capital Outlay | \$25,000 |
| The Library obtained a Promissory Note during 2015, the activity was not recorded on the system or financial statements of the Library. | | | | | |
| General Fund | Taxes | \$11,068 | General Fund | Intergovernmental | \$11,068 |
| Real Estate Property Tax and Manufactured Home Tax Settlements were recorded as Taxes and should have recorded as Intergovernmental. | | | | | |

Failure to accurately post and report receipt and expenditure transactions could result in material errors in the Library's financial statements and reduces the ability of the Board to monitor financial activity and to make sound decisions which affect the overall, available cash position of the Library.

The Library has corrected the financial statements, and accounting records where appropriate, to address these posting errors.

We recommend that officials review the chart of accounts to assure that items are being posted to the proper account codes and funds.

Officials' Response:

The financial statements and accounting records have been completed for years 2015-2016. The fiscal office will be more diligent in posting into proper fund accounts and combine the general and permanent funds into one account when filing year end.

FINDING NUMBER 2016-002

NONCOMPLIANCE

Ohio Rev. Code §5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

The Library did not approve 2016 and 2015 appropriations in the minutes. Also, the Library did not file appropriations with the County Auditor for the fiscal year 2016.

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. The following funds had expenditures which exceeded appropriations:

**FINDING NUMBER 2016-002
 (Continued)**

| Fund | Appropriations | Expenditures + Outstanding Encumbrances | Variances |
|--------------|----------------|---|--------------|
| 2016 | | | |
| General Fund | \$ 0 | \$ 356,870 | (\$ 356,870) |

| Fund | Appropriations | Expenditures + Outstanding Encumbrances | Variances |
|--------------|----------------|---|-------------|
| 2015 | | | |
| General Fund | \$307,221 | \$ 345,874 | (\$ 38,653) |

Failure of the Library to approve and file appropriations does not allow for the Library officials to monitor its budgetary position and could result in overspending and negative fund balances. The management of the Library should monitor the Library's budgetary activity at least quarterly.

We recommend the Library approve and file appropriations as required above.

Officials' Response:

The 2016 appropriation form has been submitted to The Clinton County Auditor's office. Fiscal Officer will file reports in a timely manner going forward.

FINDING NUMBER 2016-003

NONCOMPLIANCE / MATERIAL WEAKNESS

Ohio Rev. Code §133.10(F) provides authority to issue securities under divisions (A) and (B) of this section may be exercised by any board of library trustees of a public library, to which the budget commission has allotted a share of the local government fund under the public library fund under section 5747.48 of the Revised Code. In anticipation of the collection of current property tax revenues in and for any fiscal year, the taxing authority of any subdivision may issue securities, but the aggregate principal amount of such securities shall not exceed one-half of the amount that the budget commission estimates the subdivision will receive from property taxes in that fiscal year and prior to the last day of the sixth month following the month in which the securities are issued. For example Libraries can't take out a simple bank loan for the construction of a new branch since "bank loans" are not a statutorily permitted form of debt for Library's.

Ohio Revised Code §3375.404(B) provides additional borrowing authority for a board of library trustees of a public library that receives an allocation of the library fund may anticipate its portion of the proceeds of the library fund distribution and, if the board receives proceeds from a tax levied under section 5705.23 of the Revised Code, the available proceeds of that tax and issue library facilities notes of the public library in the principal amount necessary to pay the costs of financing the facilities or other property. During 2015, the Library obtained an unsecured bank loan in the amount of \$25,000, for a portion of the construction cost for the new New Vienna Branch. Per the Revised Code sections noted above, the Library does not have the authority to obtain a bank loan in this manner. This loan was paid in full as of December 31, 2016.

We recommend in the future the Library finance construction projects with the issuance of notes or bonds in accordance with the Ohio Revised Code section above.

**FINDING NUMBER 2016-003
(Continued)**

Officials' Response:

The accounting has been corrected for the loan obtained for the New Vienna building. The library has no plans to add on or remodel either building at this time and if in the future, we find a need to borrow money we will obtain legal advice and post according to UAN policies.

**SABINA PUBLIC LIBRARY
CLINTON COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 AND 2015**

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|---|---------------------|--------------------------------------|
| 2014-001 | Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Library reported money with no restrictions in the Permanent Fund and should have been reported as General Fund Unassigned. | Not Corrected | Working on corrections at this time. |
| 2014-002 | Posting Errors, noted posting errors in the Taxes and Intergovernmental lines. | Partially Corrected | Trying to correct. |

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Dave Yost • Auditor of State

SABINA PUBLIC LIBRARY

CLINTON 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
DECEMBER 5, 2017**