



Dave Yost • Auditor of State

FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Findlay-Hancock County Public Library
Hancock County
206 Broadway Street
Findlay, Ohio 45840

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 Findlay-Hancock County Public Library, Hancock 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 Findlay-Hancock County Public Library, Hancock County, Ohio 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 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2018, 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

January 24, 2018

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

| | General | Special Revenue | Capital Projects | Permanent | Totals (Memorandum Only) |
|---|--------------------|--------------------|---------------------|----------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$753,701 | | | | \$753,701 |
| Public Library | 2,060,595 | | | | 2,060,595 |
| Intergovernmental | 31,231 | | | | 31,231 |
| Patrons Fines and Fees | 69,592 | | | | 69,592 |
| Contributions, Gifts and Donations | 17,093 | | | | 17,093 |
| Earnings on Investments | 8,093 | | | \$3 | 809 |
| Miscellaneous | 11,492 | | | | 11,492 |
| <i>Total Cash Receipts</i> | <u>2,951,797</u> | | | <u>3</u> | <u>2,951,800</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| Library Services: | | | | | |
| Public Services and Programs | 2,731,632 | | | | 2,731,632 |
| Support Services: | | | | | |
| Business Administration | 109 | | | | 109 |
| Capital Outlay | 159,160 | | | | 159,160 |
| <i>Total Cash Disbursements</i> | <u>2,890,901</u> | | | | <u>2,890,901</u> |
| <i>Excess of Receipts Over Disbursements</i> | <u>60,896</u> | | | <u>3</u> | <u>60,899</u> |
| Other Financing Receipts (Disbursements) | | | | | |
| Transfers In | | | \$515,000 | | 515,000 |
| Transfers Out | (515,000) | | | | (515,000) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(515,000)</u> | | <u>515,000</u> | | |
| <i>Net Change in Fund Cash Balances</i> | (454,104) | | 515,000 | 3 | 60,899 |
| <i>Fund Cash Balances, January 1</i> | <u>1,929,193</u> | <u>\$92,419</u> | <u>290,750</u> | <u>2,010</u> | <u>2,314,372</u> |
| Fund Cash Balances, December 31 | | | | | |
| Nonspendable | | | | 2,000 | 2,000 |
| Restricted | | | | 13 | 13 |
| Committed | | 92,419 | | | 92,419 |
| Assigned | 1,219,000 | | 805,750 | | 2,024,750 |
| Unassigned | 256,089 | | | | 256,089 |
| <i>Fund Cash Balances, December 31</i> | <u>\$1,475,089</u> | <u>\$92,419</u> | <u>\$805,750</u> | <u>\$2,013</u> | <u>\$2,375,271</u> |

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

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 1 – Reporting Entity

The Findlay-Hancock County Public Library, Hancock County, (the Library) 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 Hancock County Commissioners and the Hancock County Court of Common Pleas 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.

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:

Special Gift Fund The Special Gift Grant Fund accounts for and reports gift monies committed for special projects and equipment 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:

Building and Repair Fund The Building and Repair Fund accounts for and reports proceeds of transfers in. The proceeds are assigned for building maintenance and repairs.

Vehicle Fund The Vehicle Fund accounts for and reports proceeds of transfers in.. The proceeds are assigned for vehicle fleet purchases.

Permanent Funds 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 government's programs (for the benefit of the government or its citizenry). The Library had the following significant Permanent Fund:

Fleming Trust Fund – These funds receive interest earnings that are used for book purchases in the fields of business, law, and history.

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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. Appropriations lapse at year end. Budgetary expenditures may not exceed appropriations at the fund, function, and object level of control.

A summary of 2016 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.

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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.

Note 3 – 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 | \$3,000,643 | \$2,951,797 | (\$48,846) |
| Capital Projects | 515,000 | 515,000 | |
| Permanent | 3 | 3 | |
| Total | \$3,515,646 | \$3,466,800 | (\$48,846) |

| 2016 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$4,361,000 | \$3,405,901 | \$955,099 |
| Special Revenue | 50,000 | | 50,000 |
| Permanent | 50 | | 50 |
| Total | \$4,411,050 | \$3,405,901 | \$1,005,149 |

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:

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

| | <u>2016</u> |
|--|---------------------------|
| Demand deposits | \$76,797 |
| Certificates of deposit | 1,432,000 |
| Other time deposits (savings and NOW accounts) | <u>365,409</u> |
| Total deposits | 1,874,206 |
| STAR Ohio | <u>500,865</u> |
| Total deposits and investments | <u><u>\$2,375,071</u></u> |

Deposits

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

Investments

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

Cash on Hand

At year end, the Library had \$200 in undeposited cash on hand which is included on the financial statements of the Library as part of "Fund Cash Balances, December 31".

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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. 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.

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 6 – Interfund Transactions

Interfund transfers for the year ended December 31, 2016, consisted of the following, as reported on the financial statements:

| | |
|-------------------------------------|-------------------------|
| Transfers from the General Fund to: | |
| Buidling and Repair Fund | \$500,000 |
| Vehcile Fund | <u>15,000</u> |
| Total | <u><u>\$515,000</u></u> |

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget require to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 7 – 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 8 – 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, 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.

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Permanent</u> | <u>Totals (Memorandum Only)</u> |
|---|--------------------|----------------------------|-----------------------------|------------------|---|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$737,616 | | | | \$737,616 |
| Public Library | 2,083,411 | | | | 2,083,411 |
| Intergovernmental | 24,220 | | | | 24,220 |
| Patrons Fines and Fees | 79,574 | | | | 79,574 |
| Contributions, Gifts and Donations | 31,217 | \$101,884 | \$500 | | 133,601 |
| Earnings on Investments | 3,916 | | | \$3 | 3,919 |
| Miscellaneous | 52,807 | | | | 52,807 |
| <i>Total Cash Receipts</i> | <u>3,012,761</u> | <u>101,884</u> | <u>500</u> | <u>3</u> | <u>3,115,148</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| Library Services: | | | | | |
| Public Services and Programs | 2,733,850 | 25,777 | | | 2,759,627 |
| Support Services: | | | | | |
| Business Administration | 109 | | | | 109 |
| Capital Outlay | 104,487 | 9,465 | | | 113,952 |
| <i>Total Cash Disbursements</i> | <u>2,838,446</u> | <u>35,242</u> | | | <u>2,873,688</u> |
| <i>Excess of Receipts Over Disbursements</i> | <u>174,315</u> | <u>66,642</u> | <u>500</u> | <u>3</u> | <u>241,460</u> |
| Other Financing Receipts (Disbursements) | | | | | |
| Transfers In | | | 15,000 | | 15,000 |
| Transfers Out | (15,000) | | | | (15,000) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(15,000)</u> | | <u>15,000</u> | | |
| <i>Net Change in Fund Cash Balances</i> | 159,315 | 66,642 | 15,500 | 3 | 241,460 |
| <i>Fund Cash Balances, January 1</i> | <u>1,769,878</u> | <u>25,777</u> | <u>275,250</u> | | <u>2,070,905</u> |
| Fund Cash Balances, December 31 | | | | | |
| Nonspendable | | | | 2,000 | 2,000 |
| Restricted | | | | 10 | 10 |
| Committed | | 92,419 | | | 92,419 |
| Assigned | 1,360,357 | | 290,750 | | 1,651,107 |
| Unassigned | 568,836 | | | | 568,836 |
| <i>Fund Cash Balances, December 31</i> | <u>\$1,929,193</u> | <u>\$92,419</u> | <u>\$290,750</u> | <u>\$2,010</u> | <u>\$2,314,372</u> |

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

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Note 1 – Reporting Entity

The Findlay-Hancock County Public Library, Hancock County, (the Library) 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 Hancock County Commissioners and the Hancock County Court of Common Pleas 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:

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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:

Special Gift Fund The Special Gift Grant Fund accounts for and reports gift monies committed for special projects and equipment 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:

Building and Repair Fund The Building and Repair Fund accounts for and reports proceeds of transfers in. The proceeds are assigned for building maintenance and repairs

Vehicle Fund The Vehicle Fund accounts for and reports proceeds of transfers in. The proceeds are assigned for vehicle fleet purchases.

Permanent Funds 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 government's programs (for the benefit of the government or its citizenry). The Library had the following significant Permanent Fund:

Fleming Trust Fund – These funds receive interest earnings that are used for book purchases in the fields of business, law, and history.

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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. Appropriations lapse at year end. Budgetary expenditures may not exceed appropriations at the fund, function, and object level of control.

A summary of 2015 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.

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.

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

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.

Note 3 – 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 | \$2,934,050 | \$3,012,761 | \$78,711 |
| Special Revenue | 97,534 | 101,884 | 4,350 |
| Capital Projects | 15,000 | 15,500 | 500 |
| Permanent | 1 | 3 | 2 |
| Total | \$3,046,585 | \$3,130,148 | \$83,563 |

| 2015 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$4,605,723 | \$2,853,446 | \$1,752,277 |
| Special Revenue | 75,777 | 35,242 | 40,535 |
| Capital Projects | 100,000 | | 100,000 |
| Permanent | 75 | | 75 |
| Total | \$4,781,575 | \$2,888,688 | \$1,892,887 |

Note 4 – Deposits

The Library maintains a deposit 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:

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

| | |
|--|-------------|
| | 2015 |
| Demand deposits | \$149,819 |
| Certificates of deposit | 1,702,000 |
| Other time deposits (savings and NOW accounts) | 462,353 |
| Total deposits | \$2,314,172 |

Deposits

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

Cash on Hand

At year end, the Library had \$200 in undeposited cash on hand which is included on the financial statements of the Library as part of "Fund Cash Balances, December 31".

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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. 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 6 – Interfund Transactions

Interfund transfers for the year ended December 31, 2015, consisted of the following, as reported on the financial statements:

| | |
|-------------------------------------|----------|
| Transfers from the General Fund to: | |
| Vehicle Fund | \$15,000 |

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget require to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 7 – 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 8 – 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, 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.



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

Findlay-Hancock County Public Library
Hancock County
206 Broadway Street
Findlay, Ohio 45840

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 Findlay-Hancock County Public Library, Hancock County, Ohio (the Library) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated January 24, 2018 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 opinions 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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

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*.

Entity's Response to Findings

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Library's response and, accordingly, we express no opinion on it.

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

January 24, 2018

**FINDLAY-HANCOCK COUNTY PUBLIC LIBRARY
HANCOCK 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

Financial Reporting

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned, and unassigned.

Assigned fund balance classification includes amounts that are constrained by the Library's intent to be used for specific purposes, but are neither restricted nor committed. When the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. This would be applicable to the General Fund as it is the only fund with a positive unassigned fund balance.

The Library appropriated \$1,219,000 and \$1,360,357 more for 2017 and 2016, respectively, than they estimated receiving in taxes and other sources. This information was available prior to the report filing date, and should have been classified as assigned fund balance for 2016 and 2015. The accompanying financial statements have been adjusted to reflect the appropriate subsequent year assigned fund balance.

This was the result of inadequate policies and procedures in reviewing the financial statements. We recommend the Library review GASB 54 and Auditor of State Bulletin 2011-004 to help ensure their fund balances are properly reported.

Officials' Response:

I have received guidance on the matter, and it is my intention to follow its instructions in the future.

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FINDLAY- HANCOCK COUNTY PUBLIC LIBRARY

HANCOCK 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
FEBRUARY 8, 2018