



OHIO AUDITOR OF STATE
KEITH FABER



**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Ashtabula County District Library
Ashtabula County
4335 Park Avenue
Ashtabula, Ohio 44004

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 Ashtabula County District Library, Ashtabula County, Ohio (the Library) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code 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.

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www.ohioauditor.gov

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, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Ashtabula County District Library, Ashtabula County as of December 31, 2018 and 2017, 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 May 15, 2019, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

May 15, 2019

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$1,111,282	\$0	\$0	\$0	\$1,111,282
Public Library	875,901	477,900			1,353,801
Intergovernmental	45,023				45,023
Patron Fines and Fees	19,519				19,519
Contributions, Gifts and Donations	24,423		125,000		149,423
Earnings on Investments	37,449		7,803	151	45,403
Miscellaneous	12,330		0		12,330
<i>Total Cash Receipts</i>	<u>2,125,927</u>	<u>477,900</u>	<u>132,803</u>	<u>151</u>	<u>2,736,781</u>
Cash Disbursements					
Current:					
Library Services	2,077,659			3,060	2,080,719
Debt Service:					
Principal Retirement	8,460	399,482			407,942
Interest and Fiscal Charges		78,223			78,223
<i>Total Cash Disbursements</i>	<u>2,086,119</u>	<u>477,705</u>	<u>0</u>	<u>3,060</u>	<u>2,566,884</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>39,808</u>	<u>195</u>	<u>132,803</u>	<u>(2,909)</u>	<u>169,897</u>
Other Financing Receipts (Disbursements)					
Other Financing Uses	(1,104)				(1,104)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,104)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,104)</u>
<i>Net Change in Fund Cash Balances</i>	38,704	195	132,803	(2,909)	168,793
<i>Fund Cash Balances, January 1</i>	<u>1,770,231</u>	<u>43,918</u>	<u>389,202</u>	<u>13,661</u>	<u>2,217,012</u>
Fund Cash Balances, December 31					
Nonspendable				10,000	10,000
Restricted		44,113	522,005	752	566,870
Assigned	115,710				115,710
Unassigned (Deficit)	1,693,225				1,693,225
<i>Fund Cash Balances, December 31</i>	<u>\$1,808,935</u>	<u>\$44,113</u>	<u>\$522,005</u>	<u>\$10,752</u>	<u>\$2,385,805</u>

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

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Fiduciary Fund Type
	Private Purpose Trust
Operating Cash Receipts	\$0
Operating Cash Disbursements	
Library Materials and Information	275
<i>Total Operating Cash Disbursements</i>	<i>275</i>
<i>Operating Income (Loss)</i>	<i>(275)</i>
<i>Fund Cash Balances, January 1</i>	<i>5,987</i>
<i>Fund Cash Balances, December 31</i>	<i>\$5,712</i>

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

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

The Ashtabula County District Library (the Library), Ashtabula 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 County Commissioners and County Common Pleas Court Judges appoints a Board of Trustees consisting of seven members 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 (cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balances (cash basis) for fiduciary fund type which are 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.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Library had the following significant Debt Service Fund:

Fund 3001 – Debt Service – This fund is maintained for the purpose of servicing the facilities construction debt with Andover Bank. A portion of each monthly PLF distribution is “deposited” in Fund 3001, and then dispersed to Andover Bank on a semi-annual basis.

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:

Fund 4006 – Asset Preservation – the Asset Preservation Fund accounts for funds set aside for the future replacement of the Library's Bookmobile.

Fund 4007 – Development Fund – the Development Fund accounts for the expenditure of capital funds.

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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:

Fund 4501 – Lyon’s Bequest – The Lyon’s Bequest Fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the purchase of reference materials.

Private-Purpose Trust Funds

Private-purpose trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Library’s own programs. The Library had the following significant permanent funds:

Fund 9751 – Private Purpose Trust – Griffith 1 – The Griffith 1 Fund accounts for the expenditure of fund amounts for the purchase of Spanish language juvenile materials for the Geneva Public Library.

Fund 9752 – Private Purpose Trust – Griffith 2 – The Griffith 2 Fund accounts for the expenditure of fund amounts for the purchase of Spanish language materials for the Geneva Public Library.

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 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.

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2018

The Library values federally insured certificates of deposit at face value. 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:

Non-spendable. The Library classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

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

Committed The Board of Trustees can *commit* amounts via formal action (resolution). The 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.

Ashtabula County District Library
Ashtabula 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	\$2,363,483	\$2,125,927	(\$237,556)
Debt Service	485,000	477,900	(7,100)
Capital Projects	25,800	132,803	107,003
Permanent	150	151	1
Private Purpose Trust	0	0	0
Total	\$2,874,433	\$2,736,781	(\$137,652)

2018 Budgeted vs. Actual Budgetary Basis Expenditures**			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,403,363	\$2,202,933	\$200,430
Debt Service	477,706	477,705	1
Capital Projects	78,000	0	78,000
Permanent	3,061	3,060	1
Private Purpose Trust	5,288	275	5,013
Total	\$2,967,418	\$2,683,973	\$283,445

** includes carryover and current year encumbrances

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	\$85,613
Certificates of deposit	2,278,294
Total deposits	2,363,907
STAR Ohio	27,610
Total investments	27,610
Total deposits and investments	\$2,391,517

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

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

Note 5 – Grants in Aid and Taxes

Grants in Aid

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

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as intergovernmental revenue. 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 - 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:

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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

Note 7 - 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, 2018.

Note 8 - 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0.0 percent during calendar year 2018.

Note 9 – Debt

Debt outstanding at December 31, 2018 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note	\$2,824,460	2.625%

The Library issued in December 2014 a 15 year general obligation note to finance the expansion and renovation of the Ashtabula Library and the renovation of the Geneva Library. The Library pledged 30% of the annual Public Library Funding ("PLF") received from the State of Ohio to finance the projects.

A note covenant requires the Library to establish and fund a Note Retirement fund, included as a debt service fund from which the Library shall appropriate debt service payments from the PLF revenues received in the amount of the annual payments. The balance in the Note Retirement fund at December 31, 2018 is \$44,113.

Leases

The Library five copiers are under non-cancelable leases. The Library disbursed \$7,755 to pay lease costs for the year ended December 31, 2018.

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	General Obligation Note
2019	\$352,706
2020	352,706
2021	352,706
2022	352,706
2023-2027	1,763,530
2028	17,110
Total	<u>\$3,191,464</u>

In addition to the debt described above, the Library and the Note holder (The Andover Bank of Ohio) have agreed the Library can elect each year to make an additional \$125,000 principal payment. The Library elected to make this additional payment in 2018, and the additional principal payment is included above. The Library does not anticipate making an additional principal payment in 2019.

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$1,061,027	\$0	\$0	\$0	\$1,061,027
Public Library	832,521	469,002			1,301,523
Intergovernmental	49,424				49,424
Patron Fines and Fees	15,495				15,495
Contributions, Gifts and Donations	31,911		94,782		126,693
Earnings on Investments	27,787	50	3,109	51	30,997
Miscellaneous	21,428		14,661		36,089
<i>Total Cash Receipts</i>	<u>2,039,593</u>	<u>469,052</u>	<u>112,552</u>	<u>51</u>	<u>2,621,248</u>
Cash Disbursements					
Current:					
Library Services	2,095,787		12,853	3,062	2,111,702
Debt Service:					
Principal Retirement	9,165	393,192			402,357
Interest and Fiscal Charges		84,514			84,514
<i>Total Cash Disbursements</i>	<u>2,104,952</u>	<u>477,706</u>	<u>12,853</u>	<u>3,062</u>	<u>2,598,573</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(65,359)</u>	<u>(8,654)</u>	<u>99,699</u>	<u>(3,011)</u>	<u>22,675</u>
<i>Fund Cash Balances, January 1</i>	<u>1,835,590</u>	<u>52,572</u>	<u>289,503</u>	<u>16,672</u>	<u>2,194,337</u>
Fund Cash Balances, December 31					
Nonspendable				10,000	10,000
Restricted		43,918	389,202	3,661	436,781
Unassigned (Deficit)	1,770,231				1,770,231
<i>Fund Cash Balances, December 31</i>	<u>\$1,770,231</u>	<u>\$43,918</u>	<u>\$389,202</u>	<u>\$13,661</u>	<u>\$2,217,012</u>

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

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCE (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Fiduciary Fund Type
	Private Purpose Trust
Operating Cash Receipts	
Miscellaneous	\$12
<i>Total Operating Cash Receipts</i>	12
Operating Cash Disbursements	
<i>Total Operating Cash Disbursements</i>	0
<i>Operating Income (Loss)</i>	12
<i>Net Change in Fund Cash Balances</i>	12
<i>Fund Cash Balances, January 1</i>	5,975
<i>Fund Cash Balances, December 31</i>	\$5,987

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

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

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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 (cash basis) for all governmental fund types, and a statement of receipts, disbursements and changes in fund balances (cash basis) for its fiduciary fund type which are 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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Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Library had the following significant Debt Service Fund:

Fund 3001 – Debt Service – This fund is maintained for the purpose of servicing the facilities construction debt with Andover Bank. A portion of each monthly PLF distribution is “deposited” in Fund 3001, and then dispersed to Andover Bank on a semi-annual basis.

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:

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Fund 4007 – Development Fund – the Development Fund accounts for the expenditure of capital funds.

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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:

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Private-Purpose Trust Funds

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Fund 9751 – Private Purpose Trust – Griffith 1 – The Griffith 1 Fund accounts for the expenditure of fund amounts for the purchase of Spanish language juvenile materials for the Geneva Public Library.

Fund 9752 – Private Purpose Trust – Griffith 2 – The Griffith 2 Fund accounts for the expenditure of fund amounts for the purchase of Spanish language materials for the Geneva Public Library.

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 2017 budgetary activity appears in Note 3.

Deposits and Investments

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

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

The Library values federally insured certificates of deposit at face value. 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:

Non-spendable - The Library classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

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

Committed - The Board of Trustees can *commit* amounts via formal action (resolution). The 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.

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,423,147	\$2,039,593	(\$383,554)
Debt Service	484,008	469,052	(14,956)
Capital Projects	24,300	112,552	88,252
Permanent	225	51	(174)
Private Purpose Trust	62	12	(50)
Total	\$2,931,742	\$2,621,260	(\$310,482)

2018 Budgeted vs. Actual Budgetary Basis Expenditures**			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,356,897	\$2,104,952	\$251,945
Debt Service	477,706	477,706	0
Capital Projects	104,313	12,853	91,460
Permanent	8	3,062	(3,054)
Private Purpose Trust	0	0	0
Total	\$2,938,924	\$2,598,573	\$340,351

** includes carryover and current year encumbrances

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:

Demand deposits	2017 \$187,518
Certificates of deposit	2,000,000
Total deposits	2,187,518
 STAR Ohio	 35,481
Total investments	35,481
Total deposits and investments	\$2,222,999

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 5 – Grants in Aid and Taxes

Grants in Aid

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

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Revenue. 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 - 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:

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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

Note 7 - 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, 2017.

Note 8 - 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note	\$3,223,837	2.625%

The Library issued in December 2014 a 15 year general obligation note to finance the expansion and renovation of the Ashtabula Library and the renovation of the Geneva Library. The Library pledged 30% of the annual Public Library Funding (PLF) received from the State of Ohio to finance the projects.

A note covenant requires the Library to establish and fund a Note Retirement fund, included as a debt service fund from which the Library shall appropriate debt service payments from the PLF revenues received in the amount of the annual payments. The balance in the Note Retirement fund at December 31, 2017 is \$43,918.

Leases

The Library five copiers are under non-cancelable leases. The Library disbursed \$9,165 to pay lease costs for the year ended December 31, 2017.

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31:	General Obligation Note
2018	\$477,706
2019	352,706
2020	352,706
2021	352,706
2022-2026	1,763,530
2027-2028	369,816
Total	<u>\$3,669,170</u>

In addition to the debt described above, the Library and the Note holder (The Andover Bank of Ohio) have agreed the Library can elect each year to make an additional \$125,000 principal payment. The Library elected to make this additional payment in 2017, and the additional principal payment is included above. The Library does anticipate making an additional principal payment in 2018.



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

Ashtabula County District Library
Ashtabula County
4335 Park Avenue
Ashtabula, Ohio 44004

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 Ashtabula County District Library, Ashtabula County, (the Library) as of and for the years ended December 31, 2018 and 2017 and the related notes to the financial statements and have issued our report thereon dated May 15, 2019 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 2018-001 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*.

Library's Response to Finding

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Library's response to the auditing procedures applied in the audit of the financial statements 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

May 15, 2019

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

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

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

1. GASB 54 Fund Balance Classifications

<i>Finding Number</i>	2018-001
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MATERIAL WEAKNESS

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

Governmental Accounting Standards Board (GASB) Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions introduced five fund balance classifications and clarified the existing governmental fund type definitions. These classifications were (1) nonspendable, (2) restricted, (3) committed, (4) assigned and, (5) unassigned. Additionally, Statement 54 ¶15 indicated when an appropriation measure is adopted for the subsequent year, if a portion of the existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned.

The following classification errors were reflected in the financial statements for the year ended December 31, 2018:

- Subsequent fiscal year appropriations of \$115,710 in excess of estimated resources were reported on the financial statements as an unassigned fund balance instead of an assigned fund balance.
- Capital projects fund balance reported \$522,006 as an assigned fund balance instead of a restricted fund balance.
- Debt service fund balance reported \$44,113 as a committed fund balance instead of a restricted fund balance.

Additionally, the following classification errors were reflected in the financial statements for the year ended December 31, 2017:

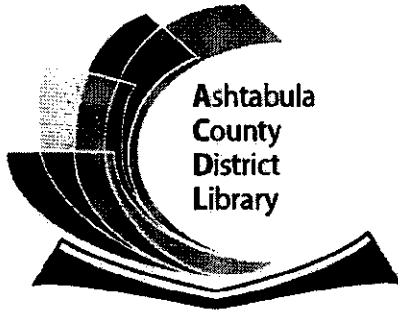
- Capital projects fund balance reported \$389,202 as an assigned fund balance instead of a restricted fund balance.
- Debt service fund balance reported \$43,918 as a committed fund balance instead of a restricted fund balance.

These weaknesses resulted in errors to the financial statements that were not detected by the Library’s internal control structure.

We recommend the Library review the fund balance reporting requirements of GASB 54 and incorporate them in their financial statements.

Official’s Response: The Library will implement this recommendation.

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Ashtabula Public Library & Administration

4335 Park Avenue Ashtabula, OH 44004
(440) 997-9341 Fax (440) 998-1198

Geneva Public Library & ACDL Bookmobile

860 Sherman Street Geneva, OH 44041
(440) 466-4521 Fax (440) 466-0162

www.acdl.info

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Status	Additional Information
2016-001	Financial reporting posting errors	Partially corrected	Repeated as 2018-001 for GASB 54 fund classifications.

Gather, Read, Discover, Transform

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OHIO AUDITOR OF STATE KEITH FABER



ASHTABULA COUNTY DISTRICT LIBRARY

ASHTABULA 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
MAY 30, 2019**