



Dave Yost • Auditor of State

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

North Baltimore Public Library
Wood County
230 North Main Street
North Baltimore, Ohio 45872

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 North Baltimore Public Library, Wood 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 North Baltimore Public Library, Wood 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2015, the Library revised its financial presentation from the cash basis comparable to the requirements of *Governmental Accounting Standards* to a format using accounting practices the Auditor of State prescribes or permits. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

January 26, 2018

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North Baltimore Public Library
Wood 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

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$125,545				\$125,545
Public Library	284,320				284,320
Intergovernmental	14,839				14,839
Patron Fines and Fees	5,765				5,765
Contributions, Gifts and Donations	6,649				6,649
Earnings on Investments	1,336		\$94	\$85	1,515
Miscellaneous	4,039				4,039
<i>Total Cash Receipts</i>	<u>442,493</u>		<u>94</u>	<u>85</u>	<u>442,672</u>
Cash Disbursements					
Current:					
Library Services:					
Public Services and Programs	146,006				146,006
Collection Development and Processing	84,551				84,551
Support Services:					
Facilities Operation and Maintenance	65,974				65,974
Information Services	14,793				14,793
Business Administration	99,258				99,258
Capital Outlay	1,373		79,710		81,083
<i>Total Cash Disbursements</i>	<u>411,955</u>		<u>79,710</u>		<u>491,665</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>30,538</u>		<u>(79,616)</u>	<u>85</u>	<u>(48,993)</u>
Other Financing Receipts (Disbursements)					
Transfers In			30,000		30,000
Transfers Out	(30,000)				(30,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(30,000)</u>		<u>30,000</u>		
<i>Net Change in Fund Cash Balances</i>	<u>538</u>		<u>(49,616)</u>	<u>85</u>	<u>(48,993)</u>
<i>Fund Cash Balances, January 1</i>	<u>376,513</u>	<u>\$298</u>	<u>53,858</u>	<u>16,029</u>	<u>446,698</u>
Fund Cash Balances, December 31					
Nonspendable				15,990	15,990
Restricted		298	4,189	124	4,611
Committed			53		53
Assigned	47,740				47,740
Unassigned	329,311				329,311
<i>Fund Cash Balances, December 31</i>	<u>\$377,051</u>	<u>\$298</u>	<u>\$4,242</u>	<u>\$16,114</u>	<u>\$397,705</u>

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

NORTH BALTIMORE PUBLIC LIBRARY

Wood County

Notes to the Financial Statements

For the Year Ended December 31, 2016

Note 1 - Reporting Entity

North Baltimore Public Library (the Library), Wood 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 North Baltimore Local School District Board of Education appoints a seven member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

The Library is fiscally independent of the Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education. Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the Ohio School District.

The Friends of the North Baltimore Public Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Therefore, this organization has been excluded from the reporting entity of the Library.

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 no significant Special Revenue Funds.

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

NORTH BALTIMORE PUBLIC LIBRARY

Wood County

Notes to the Financial Statements

For the Year Ended December 31, 2016

Continued

Capital Projects Bower Estate Fund – The Bower Estate fund accounts for the receipt of a gift of stock in fiscal year 2000. Proceeds from sale of the stock are restricted for a major building project or alterations to the present building. Income from the fund can be used as the Board sees fit.

Permanent Fund This fund accounts for and reports 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:

The Wolfe Family Endowment Fund – The Wolfe Family Fund accounts for donations which are to be permanently restricted. The income from the fund can be used for Children's Programming.

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 Library 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 (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 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.

NORTH BALTIMORE PUBLIC LIBRARY

Wood County

Notes to the Financial Statements

For the Year Ended December 31, 2016

Continued

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.

NORTH BALTIMORE PUBLIC LIBRARY

Wood County

Notes to the Financial Statements

For the Year Ended December 31, 2016

Continued

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	\$443,855	\$442,493	(\$1,362)
Capital Projects	30,000	30,094	94
Permanent	10	85	75
Total	<u>\$473,865</u>	<u>\$472,672</u>	<u>(\$1,193)</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$534,434	\$447,025	\$87,409
Capital Projects	83,305	79,710	3,595
Total	<u>\$617,739</u>	<u>\$526,735</u>	<u>\$91,004</u>

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:

	2016
Demand deposits	<u>\$142,824</u>
Certificates of deposit	151,948
Total deposits	<u>294,772</u>
STAR Ohio	102,933
Total deposits and investments	<u><u>\$397,705</u></u>

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

Investments

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

NORTH BALTIMORE PUBLIC LIBRARY

Wood County

Notes to the Financial Statements

For the Year Ended December 31, 2016

Continued

Note 5 – Grants in Aid and Tax Receipts

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 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 6 - Risk Management

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

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

Note 7 - Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

NORTH BALTIMORE PUBLIC LIBRARY

Wood County

Notes to the Financial Statements

For the Year Ended December 31, 2016

Continued

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent, of their gross salaries and the Library contributed an amount equaling 14 percent, of participants' gross salaries. The Library has paid all contributions required through December 31, 2016.

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. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 9 – Interfund Transfer

During 2016, the Library transferred \$30,000 from the General fund to the Capital Projects Bower Estate fund. The transfer was made to move unrestricted balances from the General fund to support capital projects accounted for in another fund.

Note 10 – Subsequent Events

On May 23, 2017, the Library entered into an agreement with Energy Optimizers USA, LLC for energy efficient upgrades to the Library's lighting and HVAC systems. This agreement includes a 10 year loan through Energy Optimizers for \$223,180. The annual interest rate of the loan is 6.87%. The loan is payable over 120 monthly installments of \$2,576.

North Baltimore Public Library
Wood 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

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$124,900				\$124,900
Public Library	297,603				297,603
Intergovernmental	14,667				14,667
Patron Fines and Fees	7,448				7,448
Contributions, Gifts and Donations	19,003				19,003
Earnings on Investments	862		\$28	\$17	907
Miscellaneous	3,681				3,681
<i>Total Cash Receipts</i>	<u>468,164</u>		<u>28</u>	<u>17</u>	<u>468,209</u>
Cash Disbursements					
Current:					
Library Services:					
Public Services and Programs	118,222				118,222
Collection Development and Processing	124,430				124,430
Support Services:					
Facilities Operation and Maintenance	53,974	\$120			54,094
Information Services	20,355				20,355
Business Administration	116,587				116,587
Capital Outlay	10,829				10,829
<i>Total Cash Disbursements</i>	<u>444,397</u>	<u>120</u>			<u>444,517</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>23,767</u>	<u>(120)</u>	<u>28</u>	<u>17</u>	<u>23,692</u>
Other Financing Receipts (Disbursements)					
Transfers In	163			905	1,068
Transfers Out	(905)	(163)			(1,068)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(742)</u>	<u>(163)</u>		<u>905</u>	
<i>Net Change in Fund Cash Balances</i>	<u>23,025</u>	<u>(283)</u>	<u>28</u>	<u>922</u>	<u>23,692</u>
<i>Fund Cash Balances, January 1</i>	<u>353,488</u>	<u>581</u>	<u>53,830</u>	<u>15,107</u>	<u>423,006</u>
Fund Cash Balances, December 31					
Nonspendable				15,990	15,990
Restricted		298	53,805	39	54,142
Committed			53		53
Assigned	90,579				90,579
Unassigned	285,934				285,934
<i>Fund Cash Balances, December 31</i>	<u>\$376,513</u>	<u>\$298</u>	<u>\$53,858</u>	<u>\$16,029</u>	<u>\$446,698</u>

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

NORTH BALTIMORE PUBLIC LIBRARY

Wood County

Notes to the Financial Statements

For the Year Ended December 31, 2015

Note 1 - Reporting Entity

North Baltimore Public Library (the Library), Wood 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 North Baltimore Local School District Board of Education appoints a seven member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

The Library is fiscally independent of the Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education. Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the Ohio School District.

The Friends of the North Baltimore Public Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Therefore, this organization has been excluded from the reporting entity of the Library.

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 the following significant Special Revenue Fund:

Piano Fund – This fund received proceeds in prior years to cover the costs of a piano purchase and subsequent tunings of the piano. The fund was closed in 2015.

NORTH BALTIMORE PUBLIC LIBRARY

Wood County

Notes to the Financial Statements

For the Year Ended December 31, 2015

Continued

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

Capital Projects Bower Estate Fund – The Bower Estate fund accounts for the receipt of a gift of stock in fiscal year 2000. Proceeds from sale of the stock are restricted for a major building project or alterations to the present building. Income from the fund can be used as the Board sees fit.

Permanent Fund This fund accounts for and reports 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:

The Wolfe Family Endowment Fund – The Wolfe Family Fund accounts for donations which are to be permanently restricted. The income from the fund can be used for Children's Programming.

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 Library 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.

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.

NORTH BALTIMORE PUBLIC LIBRARY

Wood County

Notes to the Financial Statements

For the Year Ended December 31, 2015

Continued

Capital Assets

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Library must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

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

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

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

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

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.

NORTH BALTIMORE PUBLIC LIBRARY

Wood County

Notes to the Financial Statements

For the Year Ended December 31, 2015

Continued

Note 3 – Change in Accounting Principle

In prior years, the Library reported the financial statements on the cash basis of accounting with presentation comparable to the requirements of *Governmental Accounting Standards*. During the audit period, the Library began reporting on the cash basis in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. This change had the following effect on fund balances:

	General Fund	Bower Estate	Other Governmental Funds	Special Revenue	Capital Projects	Permanent	Total
December 31, 2014	\$ 353,488	\$ 53,777	\$ 15,741				\$ 423,006
Effect on balances		(53,777)	(15,741)	\$ 581	\$ 53,830	\$ 15,107	
January 1, 2015	\$ 353,488	\$ -	\$ -	\$ 581	\$ 53,830	\$ 15,107	\$ 423,006

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	\$432,279	\$468,327	\$36,048
Capital Projects		28	28
Permanent		922	922
Total	\$432,279	\$469,277	\$36,998

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$505,439	\$450,024	\$55,415
Special Revenue	283	283	
Total	\$505,722	\$450,307	\$55,415

Note 5 – 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:

	2015
Demand deposits	\$139,070
Certificates of deposit	205,243
Total deposits	344,313
STAR Ohio	102,385
Total deposits and investments	\$446,698

NORTH BALTIMORE PUBLIC LIBRARY

Wood County

Notes to the Financial Statements

For the Year Ended December 31, 2015

Continued

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

Investments

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

Note 6 – Grants in Aid and Tax Receipts

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 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

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; and
- Errors and omissions.

NORTH BALTIMORE PUBLIC LIBRARY

Wood County

Notes to the Financial Statements

For the Year Ended December 31, 2015

Continued

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 percent, of their gross salaries and the Library contributed an amount equaling 14 percent, 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.

Note 10 – Subsequent Events

On May 23, 2017, the Library entered into an agreement with Energy Optimizers USA, LLC for energy efficient upgrades to the Library's lighting and HVAC systems. This agreement includes a 10 year loan through Energy Optimizers for \$223,180. The annual interest rate of the loan is 6.87%. The loan is payable over 120 monthly installments of \$2,576.



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*

North Baltimore Public Library
Wood County
230 North Main Street
North Baltimore, Ohio 45872

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 North Baltimore Public Library, Wood 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 26, 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. We also noted the Library changed its financial presentation from the cash basis comparable to the requirements of *Governmental Accounting Standards* to a format using accounting practices the Auditor of State prescribes or permits.

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*.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looped "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

January 26, 2018

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Material Weakness

Fund Balance Classification

Accurate financial reporting is the responsibility of management and is essential to ensure the information provided to the readers of the financial statements accurately reflects the Library's activity. The Library should have procedures in place to prevent or detect material misstatements for the accurate presentation of the Library's financial statements.

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.

The 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 only to the general fund.

- The 2016 annual appropriation measure for the General fund exceeded estimated revenues by \$85,857.
- At December 31, 2015, the Library only classified \$45,155 as assigned for subsequent year's appropriations. \$85,857 should have been assigned, resulting in a difference of \$40,702 that was adjusted.
- Interest earnings of \$124 in 2016 and \$39 in 2015 for the Wolfe Family Endowment fund were classified as nonspendable rather than restricted.

These errors occurred due to inadequate policies and procedures in reviewing the financial statements for compliance with GASB 54. The accompanying financial statements and the Library's accounting records have been adjusted to reflect these amounts in the proper accounts.

In order to help ensure the Library's governmental fund balances are reported in accordance with GASB 54, we recommend the Board and Fiscal Officer review Auditor of State Bulletin 2011-004.

Officials' Response:

We did not receive a response from Officials to this finding.

**NORTH BALTIMORE PUBLIC LIBRARY
WOOD COUNTY**

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

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material weakness over financial reporting due to material audit adjustments.	Fully corrected.	
2014-002	Material weakness over fund balance classification due to significant adjustments to the financial statements in accordance with GASB 54.	Not corrected and repeated as Finding 2016-001 in this report.	This finding reoccurred due to inadequate policies and procedures in reviewing the financial statements for compliance with GASB 54. The Library's Board and Fiscal Officer will review Auditor of State Bulletin 2011-004 to prevent these errors in the future.



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NORTH BALTIMORE PUBLIC LIBRARY

WOOD 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 20, 2018**