



Dave Yost • Auditor of State

PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Preble County District Library
Preble County
450 South Barron Street
Eaton, Ohio 45320

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 Preble County District Library, Preble 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 1B of the financial statements, the Library prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

Though the Library does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2016 and 2015, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Preble County District Library, Preble County as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2018, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

February 12, 2018

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE 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**

	<u>General</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$654,072			\$654,072
Public Library	1,117,435			1,117,435
Intergovernmental	105,709			105,709
Patron Fines and Fees	32,467			32,467
Services Provided to Other Entities	6,055			6,055
Contributions, Gifts and Donations	3,112			3,112
Earnings on Investments	1,139			1,139
Miscellaneous	33,769			33,769
Total Cash Receipts	<u>1,953,758</u>			<u>1,953,758</u>
Cash Disbursements:				
Current:				
Library Services:				
Public Services and Programs	2,103,256			2,103,256
Capital Outlay	75,522			75,522
Total Cash Disbursements	<u>2,178,778</u>			<u>2,178,778</u>
Excess of Receipts (Under) Disbursements	<u>(225,020)</u>			<u>(225,020)</u>
Other Financing Receipts:				
Other Financing Sources	58			58
Total Other Financing Receipts	<u>58</u>			<u>58</u>
Net Change in Fund Cash Balances	(224,962)			(224,962)
Fund Cash Balances, January 1	<u>552,597</u>	<u>\$8,439</u>	<u>\$8,554</u>	<u>569,590</u>
Fund Cash Balances, December 31:				
Restricted		8,439	8,554	16,993
Assigned	48,869			48,869
Unassigned	278,766			278,766
Fund Cash Balances, December 31	<u>\$327,635</u>	<u>\$8,439</u>	<u>\$8,554</u>	<u>\$344,628</u>

See accompanying notes to the basic financial statements.

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**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Preble County District Library, Preble County, (the Library) as a body corporate and politic. The Court of Common Pleas and the Preble County Commissioners appoints a seven-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

B. Accounting Basis

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.

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.

C. Deposits and Investments

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

The Library values certificate of deposit at cost. Money market mutual funds are recorded at share values the mutual funds report. 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.

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

1. General Fund

The general fund accounts for and reports all financial resources not accounted for and reported in another fund.

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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:

Building Fund – This Fund is used to record the receipts and expenditures of the Library's building fund.

3. 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:

Sheley Fund - The Scott Sheley Trust is made up of contributions donated in memory of a young college student. The funds are designated for books.

E. Budgetary Process

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

A summary of 2016 budgetary activity appears in Note 3.

F. 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:

1. Non-spendable

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

2. 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.

3. 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.

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. 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.

5. 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.

G. Property, Plant, and Equipment

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

H. 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.

2. EQUITY IN POOLED 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	\$328,874
Certificates of deposit	4,864
Total deposits	333,738
STAR Ohio	10,890
Total investments	10,890
Total deposits and investments	\$344,628

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.

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

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

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	\$2,148,180	\$1,953,816	(\$194,364)
Total	\$2,148,180	\$1,953,816	(\$194,364)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,558,751	\$2,178,778	\$379,973
Total	\$2,558,751	\$2,178,778	\$379,973

Contrary to Ohio law, the Library did not properly post estimated resources and appropriations to the accounting system.

4. GRANTS IN AID AND TAXES RECEIPTS

A. 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.

B. 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.

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

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

5. RETIREMENT SYSTEM

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

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

6. POST-EMPLOYMENT BENEFITS

OPERS offers cost-sharing, multiple-employer defined benefit post-employment 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 2.0 percent during calendar year 2016.

7. RISK MANAGEMENT

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

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

8. CONTINGENT LIABILITIES

The Library is a defendant in a lawsuit. Management cannot presently determine the outcome of this possible suit nor the impact on the Library's financial condition.

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**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

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

	<u>General</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$706,926			\$706,926
Public Library	1,127,271			1,127,271
Intergovernmental	48,344			48,344
Patron Fines and Fees	28,846			28,846
Services Provided to Other Entities	10,060			10,060
Contributions, Gifts and Donations	2,126			2,126
Earnings on Investments	1,311			1,311
Miscellaneous	7,937			7,937
Total Cash Receipts	<u>1,932,821</u>			<u>1,932,821</u>
Cash Disbursements:				
Current:				
Library Services:				
Public Services and Programs	1,926,523			1,926,523
Business Administration	60			60
Capital Outlay	83,388			83,388
Total Cash Disbursements	<u>2,009,971</u>			<u>2,009,971</u>
Excess of Receipts (Under) Disbursements	<u>(77,150)</u>			<u>(77,150)</u>
Other Financing (Disbursements):				
Other Financing Uses	<u>(1,278)</u>			<u>(1,278)</u>
Total Other Financing (Disbursements)	<u>(1,278)</u>			<u>(1,278)</u>
Net Change in Fund Cash Balances	(78,428)			(78,428)
Fund Cash Balances, January 1	<u>631,025</u>	<u>8,439</u>	<u>8,554</u>	<u>648,018</u>
Fund Cash Balances, December 31:				
Restricted		8,439	8,554	16,993
Assigned	128,341			128,341
Unassigned	424,256			424,256
Fund Cash Balances, December 31	<u>\$552,597</u>	<u>\$8,439</u>	<u>\$8,554</u>	<u>\$569,590</u>

See accompanying notes to the basic financial statements.

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**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Preble County District Library, Preble County, (the Library) as a body corporate and politic. The Court of Common Pleas and the Preble County Commissioners appoints a seven-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

The Library's management believes these financial statements present all activities for which the Library is financially accountable.

B. Accounting Basis

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.

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.

C. Deposits and Investments

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

The Library values certificate of deposit at cost. Money market mutual funds are recorded at share values the mutual funds report. 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.

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

1. General Fund

The general fund accounts for and reports all financial resources not accounted for and reported in another fund.

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. 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:

Building Fund – This Fund is used to record the receipts and expenditures of the Library's building fund.

3. 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:

Sheley Fund - The Scott Sheley Trust is made up of contributions donated in memory of a young college student. The funds are designated for books.

E. 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 3.

F. 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:

1. Non-spendable

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

2. 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.

3. 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.

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. 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.

5. 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.

G. Property, Plant, and Equipment

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

H. 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.

2. EQUITY IN POOLED 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	\$553,924
Certificates of deposit	4,834
Total deposits	558,758
STAR Ohio	10,832
Total investments	10,832
Total deposits and investments	\$569,590

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.

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

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

3. BUDGETARY ACTIVITY

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

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,771,207	\$1,932,821	\$161,614
Total	\$1,771,207	\$1,932,821	\$161,614

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$2,011,249	(\$2,011,249)
Total	\$0	\$2,011,249	(\$2,011,249)

Contrary to Ohio law, the Library did not properly post estimated resources and appropriations to the accounting system. Also, the Library was unable to provide documentation for their annual appropriations for fiscal year ending December 31, 2015.

4. GRANTS IN AID AND TAXES RECEIPTS

A. 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.

B. 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.

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

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

5. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Library contributed an amount equaling 14%, of participants' gross salaries. The Library has paid all contributions required through December 31, 2015.

6. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

7. CONTINGENT LIABILITIES

The Library's tax liability as of December 31, 2015 was being reviewed by the Internal Revenue Service and Ohio Attorney General. All liabilities have been paid to date. Although management cannot presently determine the outcome of these reviews, management believes that the resolution of these matters will not materially adversely affect the Library's financial condition.

8. RELATED PARTY TRANSACTIONS

A Library Trustee is part owner of a company from which the Library purchased advertising during the year. The Library paid \$34 for this advertising.

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Dave Yost • Auditor of State

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

Preble County District Library
Preble County
450 South Barron Street
Eaton, Ohio 45320

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 Preble County District Library, Preble County, (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 February 12, 2018, wherein we noted the Library followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Library's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 and 2016-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-003 and 2016-004.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

February 12, 2018

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE 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 – Bank Reconciliations

Cash is the asset most susceptible to theft and misappropriation. Monthly reconciliations between the bank and the accounting system provide reasonable assurance that all receipts and expenditures have been correctly posted in the accounting system and have been correctly posted by the bank. The Fiscal Officer did not complete reconciliations from March 2015 through September 2015. This issue was discovered by auditors during prior audit fieldwork and an outside consultant was hired to help the Library reconcile its books and correct errors. Monthly reconciliations for March through September 2015 were completed in November 2015. The February 2015 reconciliation was completed on May 6, 2015; the October 2015 reconciliation was completed on December 17, 2015; the November 2015 reconciliation was completed on January 4, 2016; the December 2015 reconciliation was completed on March 1, 2016; and the January 2016 reconciliation was completed on March 3, 2016. Monthly reconciliations for February through December 2016 were timely completed.

Accurate reconciliations are a basic and essential internal control component for sound fiscal management. Library officials rely on accurate reconciliations to make sound financial decisions. Lack of oversight over the Library's financial reporting also increases the chances of fraud, theft, errors or omissions remaining unnoticed.

The Fiscal Officer should complete accurate monthly reconciliations. Library officials should review and sign the reconciliations indicating their approval. Adjustments should be documented, and any unexplained differences should be investigated and resolved immediately.

Officials' Response:

The Library did not provide a response to this finding.

FINDING NUMBER 2016-002

Material Weakness – Management Oversight

When designating the public office's system of internal control and specific control activities, management should plan for adequate segregation of duties or compensating controls. The Board of Trustees should perform procedures to monitor the financial activity of the Library. The small size of the Library's staff did not allow for an adequate segregation of duties, the Fiscal Officer performed all accounting functions. It is, therefore, important that the Board of Trustees monitor financial activity closely. The minutes stated the Board of Trustees reviewed bills and monthly financial reports at each meeting. However, there was no consistent documentation of the extent to which the Board of Trustees reviewed vouchers for payment, financial reports and records to monitor financial activity of the Library. This could result in unauthorized expenditures, the ledgers of the Library not being posted up-to-date, errors in the reconciliation, and errors and omissions occurring in the Library's annual report without the timely knowledge of the Board of Trustees.

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

The Board of Trustees should review financial information on a regular basis. This information should include vouchers for payment, reconciliations, as well as revenue and expenditure activity and balance reports. A periodic review should also be performed on the Library's cash book to gain assurances that the records are posted up-to-date, in agreement with the presented reports and reflect authorized transactions. The reviews would be documented in the minutes of the Board of Trustee meetings. Beginning in August 2017 the minutes consistently documented Board approval of financial reports.

Officials' Response:

The Library did not provide a response to this finding.

FINDING NUMBER 2016-003

Noncompliance – Appropriations

Ohio Rev. Code § 149.351(A), states, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code. Those records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred or destroyed unlawfully.

Ohio Admin. Code § 117-8-02 requires libraries to adopt appropriation measures, and prohibits expending more than appropriated.

The Library was unable to provide documentation for their annual appropriations for fiscal year ending December 31, 2015. Appropriations were entered into the accounting system; however, those appropriation amounts could not be verified as correct.

Since the District was unable to provide supporting documentation for the 2015 appropriations, we could not verify that total expenditures plus contract commitments (including outstanding encumbrances) did not exceed appropriations.

The Library also approved numerous supplemental appropriations during 2016. The approved supplemental appropriation amounts were documented in the minutes; however, the Library failed to maintain copies of the corresponding supplemental appropriation resolutions.

Failure to maintain appropriation resolutions could result in overspending of funds and the inability to properly monitor budgetary activity. The Library should implement procedures to maintain all appropriation resolutions. The Library should develop and implement procedures to properly monitor its budgetary expectations related to appropriations and actual expenditures/encumbrances. Doing so would enable the Library to comply with budgetary requirements while limiting the risk of spending more than is appropriated.

Officials' Response:

The Library did not provide a response to this finding.

FINDING NUMBER 2016-004

Noncompliance – Posting Budgetary Data to the Accounting System

Ohio Admin. Code §117-2-02(C)(1) states that all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Library did not accurately post appropriations to the financial accounting system as follows:

Fund	Approved Appropriations	Appropriations Posted to the Accounting System	Variance
General Fund - 2015	Cannot Determine	\$2,292,132	(\$2,292,132)

Fund	Approved Appropriations	Appropriations Posted to the Accounting System	Variance
General Fund - 2016	\$2,233,698	\$2,558,751	(\$325,053)

The Library did not accurately post estimated resources to the financial accounting system as follows:

Fund	Estimated Resources	Estimated Resources Posted to the Accounting System	Variance
General Fund - 2015	\$1,816,885	\$1,771,207	\$45,678

Fund	Estimated Resources	Estimated Resources Posted to the Accounting System	Variance
General Fund - 2016	\$2,129,244	\$2,148,180	\$18,936

Failure to properly post appropriations and estimated resources to the accounting system could result in an inability to properly monitor budgetary and actual financial activity. The Library should accurately post appropriations and estimated resources to the financial accounting system.

Officials' Response:

The Library did not provide a response to this finding.

**PREBLE COUNTY DISTRICT LIBRARY
PREBLE COUNTY**

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

Finding Number	Finding Summary	Status	Additional Information
2014-001	Failure to properly reconcile cash	Repeated as Finding Number 2016-001	The Fiscal Officer now completes monthly bank reconciliations. The PCDL Board signs off on the reconciliations.
2014-002	Failure to properly record receipts	Partially Corrected; Repeated in Management Letter	The Fiscal Officer strives to properly post receipts.
2014-003	Failure to properly report fund balances	Partially Corrected; Repeated in Management Letter	The Fiscal Officer strives to properly record fund balances.
2014-004	Failures related to payroll expenditures and withholdings	Repeated in Management Letter	The Library keeps a salary schedule. All employees turned in new tax liability forms. All time sheets are signed and board minutes document all employee hiring. New policy does not allow relatives to be direct supervisors to avoid relatives approving time sheets and any other ethical violation.
2014-005	Lack of proper management oversight	Repeated as Finding Number 2016-002	The PCDL Board now consistently views fiscal documents at every board meeting.
2014-006	26 USC Section 3403 and Ohio Rev. Code § 5747.07(B)(3), failure to properly remit federal and state income taxes	Repeated in Management Letter	The Fiscal Officer pays all of the required taxes.
2014-007	Ohio Rev. Code § 145.47(B), failure to properly remit retirement contributions	Repeated in Management Letter	The Fiscal Officer makes timely payments to OPERS.
2014-008	Finding for recovery	Not Repaid	



Dave Yost • Auditor of State

PREBLE COUNTY DISTRICT LIBRARY

PREBLE 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
MARCH 20, 2018**