



OHIO AUDITOR OF STATE  
**KEITH FABER**





**PAULDING COUNTY CARNEGIE LIBRARY  
PAULDING COUNTY  
DECEMBER 31, 2018 AND 2017**

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## INDEPENDENT AUDITOR'S REPORT

Paulding County Carnegie Library  
Paulding County  
205 South Main Street  
Paulding, Ohio 45879

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 Paulding County Carnegie Library, Paulding 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.

***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 Paulding County Carnegie Library, Paulding County, Ohio 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 October 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

October 15, 2019

**PAULDING COUNTY CARNEGIE LIBRARY  
PAULDING COUNTY**

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

|   | General            | Special<br>Revenue | Capital<br>Projects | Totals<br>(Memorandum<br>Only) |
|---|--------------------|--------------------|---------------------|--------------------------------|
| <b>Cash Receipts</b>                    |                    |                    |                     |                                |
| Property and Other Local Taxes          | \$510,744          |                    |                     | \$510,744                      |
| Public Library                          | 645,266            |                    |                     | 645,266                        |
| Intergovernmental                       | 54,921             |                    |                     | 54,921                         |
| Patron Fines and Fees                   | 11,611             |                    |                     | 11,611                         |
| Contributions, Gifts and Donations      | 8,352              | \$3,000            |                     | 11,352                         |
| Earnings on Investments                 | 34,487             |                    |                     | 34,487                         |
| Miscellaneous                           | 10,337             |                    |                     | 10,337                         |
| <i>Total Cash Receipts</i>              | <u>1,275,718</u>   | <u>3,000</u>       |                     | <u>1,278,718</u>               |
| <b>Cash Disbursements</b>               |                    |                    |                     |                                |
| Current:                                |                    |                    |                     |                                |
| Library Services:                       |                    |                    |                     |                                |
| Public Services and Programs            | 1,221,349          | 32,853             |                     | 1,254,202                      |
| <i>Net Change in Fund Cash Balances</i> | 54,369             | (29,853)           |                     | 24,516                         |
| <i>Fund Cash Balances, January 1</i>    | <u>1,900,826</u>   | <u>50,338</u>      | <u>\$3,160</u>      | <u>1,954,324</u>               |
| <b>Fund Cash Balances, December 31</b>  |                    |                    |                     |                                |
| Restricted                              |                    | 20,485             |                     | 20,485                         |
| Assigned                                | 474,842            |                    | 3,160               | 478,002                        |
| Unassigned                              | 1,480,353          |                    |                     | 1,480,353                      |
| <i>Fund Cash Balances, December 31</i>  | <u>\$1,955,195</u> | <u>\$20,485</u>    | <u>\$3,160</u>      | <u>\$1,978,840</u>             |

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

**PAULDING COUNTY CARNEGIE LIBRARY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Note 1 – Reporting Entity**

The Paulding County Carnegie Library (the Library), Paulding 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. Paulding County Court of Common Pleas appoints a seven-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

***Public Entity Risk Pool***

The Library participates in a public entity risk pool, the Ohio Plan Risk Management, Inc. (OPRM). Note 6 to the financial statements provides additional information for this entity.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Library's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

***Fund Accounting***

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Library are presented below:

***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Library had the following significant Special Revenue Funds:

***Ann Sherry Grant-Maker & Creative Space Fund*** The Ann Sherry Grant-Maker & Creative Space Fund accounts for and reports grant monies restricted for maker and creative spaces within the Library system.

***Bruckart Family of Cecil-Antwerp Operations Fund*** The Bruckart Family of Cecil-Antwerp Operations Fund accounts for and reports grant monies restricted for operations at the Antwerp Branch of the Library.

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

***Permanent Improvement Fund*** The Permanent Improvement Fund accounts for the acquisition, construction, or improvement of Library facilities.



**PAULDING COUNTY CARNEGIE LIBRARY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(CONTINUED)**

***Basis of Accounting***

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

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

***Budgetary Process***

The Board must annually approve appropriation measures and subsequent amendments. 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.

The Library values its government securities, repurchase agreement, and certificates of deposit at cost. Investments in STAR Ohio are measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

***Capital Assets***

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

***Accumulated Leave***

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

***Fund Balance***

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

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

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

**PAULDING COUNTY CARNEGIE LIBRARY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(CONTINUED)**

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

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

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Budgetary Activity**

Budgetary activity for the year ending December 31, 2018 follows:

| 2018 Budgeted vs. Actual Receipts |                      |                    |          |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance |
| General                           | \$1,200,825          | \$1,275,718        | \$74,893 |
| Special Revenue                   |                      | 3,000              | 3,000    |
| Total                             | \$1,200,825          | \$1,278,718        | \$77,893 |

  

| 2018 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$1,411,828                | \$1,260,062               | \$151,766 |
| Special Revenue                                       | 50,277                     | 33,266                    | 17,011    |
| Capital Projects                                      | 3,160                      |                           | 3,160     |
| Total   | \$1,465,265                | \$1,293,328               | \$171,937 |

**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:

**PAULDING COUNTY CARNEGIE LIBRARY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(CONTINUED)**

|                                | <u>2018</u>               |
|--------------------------------|---------------------------|
| Demand deposits                | \$455,410                 |
| Certificates of deposit        | 939,125                   |
| Total deposits                 | <u>1,394,535</u>          |
| STAR Ohio                      | 382,272                   |
| Repurchase agreement           | 52,020                    |
| Government Securities          | 150,013                   |
| Total investments              | <u>584,305</u>            |
| Total deposits and investments | <u><u>\$1,978,840</u></u> |

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Library.

***Investments***

The Library's financial institution transfers securities to the Library's agent to collateralize repurchase agreements. The securities are not in the Library's name. A financial institution's trust department holds the Library's government securities in book entry form in the Library's name. Investments in STAR Ohio 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

**PAULDING COUNTY CARNEGIE LIBRARY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(CONTINUED)**

**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).

**Risk Pool Membership**

The Library belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017 (the latest information available).

|                 |                           |
|-----------------|---------------------------|
| Assets          | \$14,853,620              |
| Liabilities     | <u>(9,561,108)</u>        |
| Members' Equity | <u><u>\$5,292,512</u></u> |

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**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.

**PAULDING COUNTY CARNEGIE LIBRARY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(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, 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

**Note 9 – Friends of the Library**

At this time, the Oakwood Library Association, an independent group for the library in Oakwood, owns the Oakwood Branch Library building. The Village of Oakwood supports the branch library through an independent agreement and pays for maintenance and upkeep of the building, including electricity and water.

The Payne Branch Library building is privately owned and was donated by the Payne Friends of the Library. The Village of Payne supports the branch through payment of the utilities such as electricity and water.

The Antwerp Branch Library building is owned by the Village of Antwerp. The Village of Antwerp is responsible for the maintenance and upkeep of the building including structural repairs and payment of the utilities such as electricity and water.

In the absence of any Friends of the Library organizations, the expenses of running each branch would be negotiated between the Village in which the branch is located and the Library. The Library could not support the branch libraries without the cooperation of the local Villages.

**PAULDING COUNTY CARNEGIE LIBRARY  
PAULDING COUNTY**

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

|   | General            | Special<br>Revenue | Capital<br>Projects | Totals<br>(Memorandum<br>Only) |
|---|--------------------|--------------------|---------------------|--------------------------------|
| <b>Cash Receipts</b>                                  |                    |                    |                     |                                |
| Property and Other Local Taxes                        | \$482,665          |                    |                     | \$482,665                      |
| Public Library  | 620,348            |                    |                     | 620,348                        |
| Intergovernmental                                     | 55,131             |                    |                     | 55,131                         |
| Patron Fines and Fees                                 | 16,395             |                    |                     | 16,395                         |
| Contributions, Gifts and Donations                    | 2,431              | \$16,494           |                     | 18,925                         |
| Earnings on Investments                               | 22,770             |                    |                     | 22,770                         |
| Miscellaneous   | 11,662             |                    |                     | 11,662                         |
| <i>Total Cash Receipts</i>                            | <u>1,211,402</u>   | <u>16,494</u>      |                     | <u>1,227,896</u>               |
| <b>Cash Disbursements</b>                             |                    |                    |                     |                                |
| Current:  |                    |                    |                     |                                |
| Library Services:                                     |                    |                    |                     |                                |
| Public Services and Programs                          | 1,209,961          | 9,711              |                     | 1,219,672                      |
| <i>Excess of Receipts Over Disbursements</i>          | <u>1,441</u>       | <u>6,783</u>       |                     | <u>8,224</u>                   |
| <b>Other Financing Receipts (Disbursements)</b>       |                    |                    |                     |                                |
| Transfers In  |                    | 10,050             |                     | 10,050                         |
| Transfers Out   | (10,050)           |                    |                     | (10,050)                       |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(10,050)</u>    | <u>10,050</u>      |                     |                                |
| <i>Net Change in Fund Cash Balances</i>               | (8,609)            | 16,833             |                     | 8,224                          |
| <i>Fund Cash Balances, January 1</i>                  | <u>1,909,435</u>   | <u>33,505</u>      | <u>\$3,160</u>      | <u>1,946,100</u>               |
| <b>Fund Cash Balances, December 31</b>                |                    |                    |                     |                                |
| Restricted  |                    | 50,338             |                     | 50,338                         |
| Assigned  | 211,003            |                    | 3,160               | 214,163                        |
| Unassigned  | 1,689,823          |                    |                     | 1,689,823                      |
| <i>Fund Cash Balances, December 31</i>                | <u>\$1,900,826</u> | <u>\$50,338</u>    | <u>\$3,160</u>      | <u>\$1,954,324</u>             |

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

**PAULDING COUNTY CARNEGIE LIBRARY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Note 1 – Reporting Entity**

The Paulding County Carnegie Library (the Library), Paulding 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. Paulding County Court of Common Pleas appoints a seven-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

***Public Entity Risk Pool***

The Library participates in a public entity risk pool, the Ohio Plan Risk Management, Inc. (OPRM). Note 6 to the financial statements provides additional information for this entity.

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

**Note 2 – Summary of Significant Accounting Policies**

***Basis of Presentation***

The Library's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

***Fund Accounting***

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Library are presented below:

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***Ann Sherry Grant-Maker & Creative Space Fund*** The Ann Sherry Grant-Maker & Creative Space Fund accounts for and reports grant monies restricted for maker and creative spaces within the Library system.

***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:

***Permanent Improvement Fund*** The Permanent Improvement Fund accounts for the acquisition, construction, or improvement of Library facilities.

PAULDING COUNTY CARNEGIE LIBRARY  
PAULDING COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)

***Basis of Accounting***

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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.

The Library values its government securities, repurchase agreement, and certificates of deposit at cost. Investments in STAR Ohio are 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***

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***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.



**PAULDING COUNTY CARNEGIE LIBRARY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)**

**Committed** The Board of Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Board amend 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 Library Board or a Library official delegated that authority by resolution, or by State Statute.

**Unassigned** Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**Note 3 – Budgetary Activity**

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

| 2017 Budgeted vs. Actual Receipts |                      |                    |          |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance |
| General                           | \$1,179,925          | \$1,211,402        | \$31,477 |
| Special Revenue                   | 10,050               | 26,544             | 16,494   |
| Total                             | \$1,189,975          | \$1,237,946        | \$47,971 |

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$1,333,132                | \$1,245,587               | \$87,545  |
| Special Revenue                                       | 43,555                     | 10,227                    | 33,328    |
| Capital Projects                                      | 3,160                      |                           | 3,160     |
| Total   | \$1,379,847                | \$1,255,814               | \$124,033 |

**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:

**PAULDING COUNTY CARNEGIE LIBRARY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)**

|                                | 2017                      |
|--------------------------------|---------------------------|
| Demand deposits                | \$448,598                 |
| Certificates of deposit        | 848,886                   |
| Total deposits                 | <u>1,297,484</u>          |
| STAR Ohio                      | 394,870                   |
| Repurchase agreement           | 54,026                    |
| Government Securities          | 207,944                   |
| Total investments              | <u>656,840</u>            |
| Total deposits and investments | <u><u>\$1,954,324</u></u> |

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Library.

***Investments***

The Library's financial institution transfers securities to the Library's agent to collateralize repurchase agreements. The securities are not in the Library's name. A financial institution's trust department holds the Library's government securities in book entry form in the Library's name. Investments in STAR Ohio 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.

***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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

**PAULDING COUNTY CARNEGIE LIBRARY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(CONTINUED)**

**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).

**Risk Pool Membership**

The Library belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

|                 |                           |
|-----------------|---------------------------|
| Assets          | \$14,853,620              |
| Liabilities     | <u>(9,561,108)</u>        |
| Members' Equity | <u><u>\$5,292,512</u></u> |

You can read the complete audited financial statements for OPRM at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).

**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.

**PAULDING COUNTY CARNEGIE LIBRARY  
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(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, 2017.

**Note 8 – Postemployment Benefits**

OPERS offer 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. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 1 percent during calendar year 2017. The portion of employer contributions to health care for OPERS members in the member-directed plan was 4 percent during calendar year 2017.

**Note 9 – Friends of the Library**

At this time, the Oakwood Library Association, an independent group for the library in Oakwood, owns the Oakwood Branch Library building. The Village of Oakwood supports the branch library through an independent agreement and pays for maintenance and upkeep of the building, including electricity and water.

The Payne Branch Library building is privately owned and was donated by the Payne Friends of the Library. The Village of Payne supports the branch through payment of the utilities such as electricity and water.

The Antwerp Branch Library building is owned by the Village of Antwerp. The Village of Antwerp is responsible for the maintenance and upkeep of the building including structural repairs and payment of the utilities such as electricity and water.

In the absence of any Friends of the Library organizations, the expenses of running each branch would be negotiated between the Village in which the branch is located and the Library. The Library could not support the branch libraries without the cooperation of the local Villages.

**Note 10 – Interfund Transfers**

The Library transferred \$9,000 from the General Fund to the Bruckart Family of Cecil-Antwerp Operations Fund for operations of the Antwerp Branch Library. The Library also transferred \$1,050 to the Penguin Peddler-Bookmobile Operations fund for operations of the bookmobile.

# OHIO AUDITOR OF STATE KEITH FABER



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

Paulding County Carnegie Library  
Paulding County  
205 South Main Street  
Paulding, Ohio 45879

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 Paulding County Carnegie Library, Paulding County, Ohio (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 October 15, 2019, wherein we noted the Library followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administration 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

October 15, 2019

PAULDING COUNTY CARNEGIE LIBRARY  
PAULDING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

**Material Weakness – GASB 54 Implementation**

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. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, (codified as GASB Cod 1800.165-.179) 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.

Although the Library implemented GASB No. 54, the Fiscal Officer did not classify the fund balances correctly.

In 2018 and 2017, General Fund subsequent year appropriations in excess of estimated receipts were incorrectly classified as unassigned instead of assigned fund balance by \$429,096 and \$179,380, respectively.

These errors occurred as a result of management's lack of understanding of the proper classification of fund balances in accordance with GASB 54. A lack of properly classifying fund balances increases the risk fund balances may not be spent properly. The accompanying financial statements have been adjusted to correct these and other errors. Additional errors were noted in smaller relative amounts and for additional reasons.

To help ensure the Library's financial statements and notes to the financial statements are complete and accurate, the Library should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Board, to identify and correct errors and omissions. In addition, the Fiscal Officer should review the Audit Bulletin 2011-004 for guidance on GASB Statement No. 54.

**Officials' Response:**

The Library Board of Trustees is aware of this issue. The Fiscal Officer plans to review future postings of financial activity to make sure they are properly reported in the accounting system and financial statements.

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# OHIO AUDITOR OF STATE KEITH FABER



**PAULDING COUNTY CARNEGIE LIBRARY**

**PAULING 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  
NOVEMBER 7, 2019**