



Dave Yost • Auditor of State

ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY

DECEMBER 31, 2014 AND 2013

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Ashtabula County District Library
Ashtabula County
335 W 44th Street
Ashtabula, Ohio 44004

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Ashtabula County District Library, Ashtabula County, (the Library) as of and for the years ended December 31, 2014 and 2013.

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 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 1 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, 2014 and 2013, or 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 combined cash balances of Ashtabula County District Library, Ashtabula County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2016, 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

July 20, 2016

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$1,076,398	\$0	\$0	\$0	\$1,076,398
Public Library	1,155,392	30,000			1,185,392
Intergovernmental	45,864				45,864
Patron Fines and Fees	29,272				29,272
Contributions, Gifts and Donations	9,818				9,818
Earnings on Investments	22,947		46,670	662	70,279
Miscellaneous	26,547				26,547
<i>Total Cash Receipts</i>	<u>2,366,238</u>	<u>30,000</u>	<u>46,670</u>	<u>662</u>	<u>2,443,570</u>
Cash Disbursements					
Current:					
Library Services:	1,439,173				1,439,173
Capital Outlay			305,689		305,689
<i>Total Cash Disbursements</i>	<u>1,439,173</u>	<u>0</u>	<u>305,689</u>	<u>0</u>	<u>1,744,862</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>927,065</u>	<u>30,000</u>	<u>(259,019)</u>	<u>662</u>	<u>698,708</u>
Other Financing Receipts (Disbursements)					
Sale of Notes	0		4,350,000		4,350,000
Other Financing Uses	(107)				(107)
<i>Net Change in Fund Cash Balances</i>	926,958	30,000	4,090,981	662	5,048,601
<i>Fund Cash Balances, January 1</i>	<u>405,344</u>	<u>0</u>	<u>2,017,036</u>	<u>15,185</u>	<u>2,437,565</u>
Fund Cash Balances, December 31					
Nonspendable				10,000	10,000
Restricted		30,000	4,350,000	5,847	4,385,847
Committed			1,758,017		1,758,017
Unassigned (Deficit)	1,332,302				1,332,302
<i>Fund Cash Balances, December 31</i>	<u>\$1,332,302</u>	<u>\$30,000</u>	<u>\$6,108,017</u>	<u>\$15,847</u>	<u>\$7,486,166</u>

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

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Fiduciary Fund Type
	Private Purpose Trust
Operating Cash Receipts	
Earnings on Investments	\$8
<i>Total Operating Cash Receipts</i>	8
Operating Cash Disbursements	
<i>Total Operating Cash Disbursements</i>	0
<i>Operating Income (Loss)</i>	8
Non-Operating Receipts (Disbursements)	
<i>Total Non-Operating Receipts (Disbursements)</i>	0
<i>Net Change in Fund Cash Balances</i>	8
<i>Fund Cash Balances, January 1</i>	5,989
<i>Fund Cash Balances, December 31</i>	\$5,997

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

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts				
Public Library	\$1,208,708	\$0	\$0	\$1,208,708
Patron Fines and Fees	26,236			26,236
Contributions, Gifts and Donations	9,159			9,159
Earnings on Investments	7,272	36,372	305	43,949
Miscellaneous	79,031			79,031
<i>Total Cash Receipts</i>	<u>1,330,406</u>	<u>36,372</u>	<u>305</u>	<u>1,367,083</u>
Cash Disbursements				
Current:				
Library Services:	1,177,241			1,177,241
Capital Outlay		311,422		311,422
<i>Total Cash Disbursements</i>	<u>1,177,241</u>	<u>311,422</u>	<u>0</u>	<u>1,488,663</u>
<i>Net Change in Fund Cash Balances</i>	153,165	(275,050)	305	(121,580)
<i>Fund Cash Balances, January 1 (restated note 2)</i>	<u>252,179</u>	<u>2,292,086</u>	<u>14,880</u>	<u>2,559,145</u>
Fund Cash Balances, December 31				
Nonspendable			10,000	10,000
Restricted			5,185	5,185
Committed		2,017,036		2,017,036
Unassigned (Deficit)	405,344			405,344
<i>Fund Cash Balances, December 31</i>	<u>\$405,344</u>	<u>\$2,017,036</u>	<u>\$15,185</u>	<u>\$2,437,565</u>

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

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Fiduciary Fund Type
	Private Purpose Trust
Operating Cash Receipts	
Earnings on Investments	\$8
<i>Total Operating Cash Receipts</i>	8
Operating Cash Disbursements	
<i>Total Operating Cash Disbursements</i>	0
<i>Operating Income (Loss)</i>	8
Non-Operating Receipts (Disbursements)	
<i>Total Non-Operating Receipts (Disbursements)</i>	0
<i>Net Change in Fund Cash Balances</i>	8
<i>Fund Cash Balances, January 1</i>	5,981
<i>Fund Cash Balances, December 31</i>	\$5,989

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

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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 Ashtabula County District Library, Ashtabula County, (the District) as a body corporate and politic. The County Commissioners and Common Pleas Judges appoint a 7-member Board of Trustees to govern the District. The District provides the community with various educational and literary resources.

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

B. Accounting Basis

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 District'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 District values Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan bank, Federal Farm Credit bonds and marketable CDs at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

The District uses fund accounting to segregate cash and investments that are restricted as to use. The District 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.

2. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The District had one significant Debt Service Fund used to account for the District's Building Expansion Loan repayment.

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. 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 District had the following significant Capital Project Fund the Development Fund.

4. 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 District had the following significant permanent fund: the Lyon's Bequest fund.

5. Private-Purpose Trust Funds

Private-purpose trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the District's own programs.

The District's private purpose trust funds are for the benefit of Geneva staff recognition and celebrations and to buy Spanish language materials.

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 encumbrance may not exceed appropriations at the fund, function, and object level of control.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Nonspendable

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

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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

Trustees can *commit* amounts via formal action (resolution). The District must adhere to these commitments unless the Trustees 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.

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 District Trustees or a District 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 District 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 District records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items 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.

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The District 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:

	2014	2013
Demand deposits	\$66,755	\$205,036
Certificates of deposit	14,936	378,964
Other time deposits (savings and NOW accounts)	35,000	182,362
Total deposits	116,691	766,362
Federal Farm Credit bonds	437,315	104,000
Federal National Mortgage Association bonds	343,870	0
Federal Home Loan Mortgage Corporation bonds	98,038	0
Federal Home Loan Bank bonds	371,534	130,000
STAR Ohio	4,371,075	133,192
Marketable CDs	1,753,640	1,310,000
Total investments	7,375,472	1,677,192
Total deposits and investments	\$7,492,163	\$2,443,554

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

Investments: For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Mortgage Corporation bonds, Federal National Mortgage Association bonds, Federal Home Loan bank bonds, Federal Farm Credit bonds, are exposed to custodial credit risk in that they are uninsured, not registered in the District's name and held by the counterparty, not in the District's name. The District's investments in Negotiable CDs are insured by the FDIC. The District has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013, follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,330,516	\$2,366,238	\$35,722
Debt Service	30,000	30,000	-
Capital Projects	4,357,500	4,396,670	39,170
Permanent	60	662	602
Private Purpose Trust	2	8	6
Total	\$6,718,078	\$6,793,578	\$75,500

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,678,692	\$1,439,173	\$239,519
Debt Service	-	-	-
Capital Projects	473,539	305,689	167,850
Permanent	1,990	-	1,990
Private Purpose Trust	150	-	150
Total	\$2,154,371	\$1,744,862	\$409,509

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,289,011	\$1,330,406	\$41,395
Capital Projects	-	36,372	36,372
Permanent	-	305	305
Private Purpose Trust	-	8	8
Total	\$1,289,011	\$1,367,091	\$78,080

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,710,328	\$1,177,241	\$533,087
Capital Projects	947,000	311,422	635,578
Permanent	-	-	-
Private Purpose Trust	600	-	600
Total	\$2,657,928	\$1,488,663	\$1,169,265

The District did not pass an Appropriation Resolution for 2013 contrary to the Ohio Administrative Code.

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

4. GRANTS-IN-AID AND TAX RECEIPTS

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. This method of distribution is called the "percentage of revenue" method. This method was not used for August 2011 through June 2012. During that 23 month period PLF received a designated percentage of the dollar amounts received by the fund during the corresponding month of the fiscal year 2011 "base-year" period. Effective July, the statutory allocation method reverted to the "percentage of revenue" method for PLF distribution. The fund received an amount equal to a specified percentage of the amount of GRF tax revenue received during the previous month. Beginning with the July distribution the "statutory allocation method" was implemented. The calendar year entitlements were used in the computation as the basis of each county's allocation percentage. Those percentages were used through December. In December, the actual calendar year entitlement was computed. Any difference was adjusted evenly to the PLF distributions from January-June 2014. In calendar year 2014 the statutory entitlement computation method continued. Estimated entitlement figures were issued to County Auditors in July, December and June 2014. The actual 2014 entitlements will be computed in December 2014. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June 2015.

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 District 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 District.

5. DEBT

Debt outstanding at December 31, 2014 was as follows:

	Principal	Interest Rate
General Obligation Notes	4,350,000	2.63%
Total	\$4,350,000	

The Note is collateralized by revenue received from the Public Library Fund provide by the State of Ohio and the Library's taxing authority through Ashtabula County.

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	General Obligation Notes
2015	\$352,706
2016	352,706
2017	352,706
2018	352,706
2019	352,706
2020-2024	1,763,528
2025-2029	1,410,823
Total	<u>\$4,937,881</u>

6. RETIREMENT SYSTEMS

The District'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. For 2014 and 2013, OPERS members contributed \$131,726, 10% of their gross salaries and the Library contributed an amount equaling \$184,590 14%, of participants' gross salaries. The Library has paid all contributions required through December 31, 2014.

7. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

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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

Ashtabula County District Library
Ashtabula County
335 W 44th Street
Ashtabula, Ohio 44004

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the Ashtabula County District Library, Ashtabula County, (the Library) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, and have issued our report thereon dated July 20, 2016 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 2014-002 and 2014-003 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2014-001.

Library's Response to Findings

The Library's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Library's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

July 20, 2016

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

1. Appropriations Resolution

NONCOMPLIANCE

Ohio Admin. Code § 117-8-02 requires libraries to adopt appropriation measures. Ohio Rev. Code § 5705.38(A) provides further guidance that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1st.

For fiscal year 2013, the District did not approve a permanent appropriations measure through Board resolution. While there was no evidence the District passed an Appropriation resolution for 2013, they did enter appropriation amounts in to their accounting system. Not approving a budget can lead to disbursements being made in excess of a fund's balance and creating a fund deficit.

We recommend the District approve the permanent appropriations budget no later than April 1st of each fiscal year.

Official's Response: The District did pass an appropriation resolution for 2014.

FINDING NUMBER 2014-002

2. Posting errors

MATERIAL WEAKNESS

An entity's accounting system encompasses the sequence of steps followed in the accounting process, from analyzing and recording transactions, posting entries, adjusting and closing accounts, and preparing financial statements. Sound financial reporting is the responsibility of management and the Trustees.

During 2014 we found the following posting errors affecting fund balances:

- Proceeds of \$4,350,000 from the Building Construction loan were posted to the Debt Service fund instead of the Capital Project Fund (Building Fund).

We, also, found the following classification posting errors:

- Homestead and Rollback receipts of \$45,684 received from the State of Ohio were posted in Property and Other Local Taxes instead of Intergovernmental Revenue in the General Fund.
- Expenditures in the 2013 and 2014 Capital Projects Fund were classified as Library Services instead of Capital Outlay in the amounts of \$311,422 and 305,689, respectively.

FINDING NUMBER 2014-002 (Continued)

2. Posting errors (Continued)

The financial statements and the District's accounting records have been adjusted to properly reflect these transactions.

We recommend the Fiscal Officer should use the UAN Accounting Manual and any applicable guidance from the Auditor of State's Office as a source of information regarding the proper recording of transactions. Additionally, the Board of Trustees should review monthly financial reports and cash reconciliations from the Fiscal Officer for changes in anticipated revenue, expenditures and transfers for accuracy and completeness of the reports. Any discrepancies should be investigated and corrected in a timely manner.

Official's Response: The District corrected this issue in 2015.

FINDING NUMBER 2014-003

3. Cash Reconciliations

MATERIAL WEAKNESS

Management and those charged with governance are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices in certain categories. Internal control consists of the following component, among others: Control activities, which are policies and procedures that help ensure management directives are carried out so as to identify and assess the risks of material misstatements, whether due to fraud or error, at the financial statement and relevant assertion levels. Effective controls assist management in assessing the quality of internal control performance over time. This process involves assessing the design and operation of controls on a timely basis and taking necessary corrective actions.

During our review of the District's monthly bank reconciliations, we noted the following:

- The District booked 19 investments at face value without posting the entries needed to recognize their actual cost. This resulted in the District overstating its investments securities by \$19,603 above the purchase price.
- The District did not accurately complete their monthly bank reconciliations leading to an understatement of Cash and Investments in the accounting system of \$47,107 as of December 31, 2014. A number of errors appear to cause the misstatements 1) The bank/investment amounts were not entered correctly into the bank reconciliations or accounting system, 2) when investments were purchased and sold resulting in gains or losses they were not recorded in accounting system but rolled over into new investments for many years, 3) revenue earned from interest was not always posted to the accounting system but rolled into new investments over many years. The District allocated the adjustment amount based on the District investment 2014 allocation percentages by fund balance resulting in an increase of \$17,505 to the General, and \$29,602 to the Capital Project Fund Types.

The financial statements and the District's accounting records have been adjusted by management to properly reflect these transactions.

The lack of effective controls can lead to the misstatement of the District's investment holdings on the Financial Statements. Failure to perform the complete and accurate monthly reconciliations could result in errors going undetected, misstatements in the District's financial statements, and future errors or could result in overdraft charges.

FINDING NUMBER 2014-003 (Continued)

3. Cash Reconciliations (Continued)

We recommend that management post investments to the accounting system at cost. Further we recommend the Fiscal Officer prepare monthly financial statements including the UAN monthly bank reconciliation and submit them to the Board at each regularly scheduled meeting. The Board should then review these financial reports, monthly bank reconciliations and Investment transactions and balances and when satisfied as to their accuracy approve them through the minute records. In addition, we recommend the District maintain an investment ledger to record and track an investment's type, name, cost, discounts and premiums, accrued interest, its face value and the interest rate.

Official's Response: The District has posted the correction and will monitor monthly bank reconciliations.

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Dave Yost • Auditor of State

ASHTABULA COUNTY DISTRICT LIBRARY

ASHTABULA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 9, 2016