

***HOLMES COUNTY DISTRICT PUBLIC LIBRARY***

**HOLMES COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2017 and 2016**







# Dave Yost • Auditor of State

Board of Trustees  
Holmes County District Public Library  
3102 Glen Drive  
Millersburg, Ohio 44654

We have reviewed the *Independent Auditor's Report* of Holmes County District Public Library, Holmes County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Holmes County District Public Library is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 19, 2018

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**HOLMES COUNTY DISTRICT PUBLIC LIBRARY**  
**HOLMES COUNTY, OHIO**  
**Audit Report**  
**For the Years Ended December 31, 2017 and 2016**

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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## **INDEPENDENT AUDITOR'S REPORT**

Holmes County District Public Library  
Holmes County  
3102 Glen Drive  
Millersburg, Ohio 44654

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 Holmes County District Public Library, Holmes County, Ohio (the Library) as of and for the years ended December 31, 2017 and 2016.

### ***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 express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the financial audit standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***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, 2017 and 2016, 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 the Holmes County District Public Library, Holmes County as of December 31, 2017 and 2016, 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 2.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2018, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion 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.



Charles E. Harris & Associates, Inc.  
April 22, 2018

**Holmes County District Public Library  
Holmes County**

*Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances (Regulatory Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2017*

|  | General      | Special<br>Revenue | Capital<br>Projects | Total<br>Governmental<br>Funds |
|--|--------------|--------------------|---------------------|--------------------------------|
| <b>Cash Receipts</b>                                 |              |                    |                     |                                |
| Public Library Fund                                  | \$ 1,104,440 | -                  | -                   | 1,104,440                      |
| Intergovernmental                                    | 83           | -                  | -                   | 83                             |
| Patron Fines and Fees                                | 29,663       | -                  | -                   | 29,663                         |
| Services Provided to Other Entities                  | 6,160        | -                  | -                   | 6,160                          |
| Contributions, Gifts and Donations                   | 17,909       | \$ 106,846         | -                   | 124,755                        |
| Earnings on Investments                              | 1,154        | 700                | \$ 2,077            | 3,931                          |
| Miscellaneous  | 1,464        | -                  | 1,645               | 3,109                          |
| <i>Total Receipts</i>                                | 1,160,873    | 107,546            | 3,722               | 1,272,141                      |
| <b>Cash Disbursements</b>                            |              |                    |                     |                                |
| Current:   |              |                    |                     |                                |
| Library Services:                                    |              |                    |                     |                                |
| Public Services and Programs                         | 507,207      | -                  | -                   | 507,207                        |
| Collection Development and Processing                | 131,297      | 21,036             | -                   | 152,333                        |
| Support Services:                                    |              |                    |                     |                                |
| Facilities Operation and Maintenance                 | 62,123       | 14,587             | -                   | 76,710                         |
| Information Services                                 | 52,822       | -                  | -                   | 52,822                         |
| Business Administration                              | 235,817      | 157                | 1,727               | 237,701                        |
| Capital Outlay                                       | 1,847        | 229,091            | 34,332              | 265,270                        |
| <i>Total Disbursements</i>                           | 991,113      | 264,871            | 36,059              | 1,292,043                      |
| <i>Excess of Receipts Over (Under) Disbursements</i> | 169,760      | (157,325)          | (32,337)            | (19,902)                       |
| <b>Other Financing Sources (Uses)</b>                |              |                    |                     |                                |
| Sale of Capital Assets                               | 115          | -                  | -                   | 115                            |
| <i>Total Other Financing Sources (Uses)</i>          | 115          | -                  | -                   | 115                            |
| <i>Net Change in Fund Balances</i>                   | 169,875      | (157,325)          | (32,337)            | (19,787)                       |
| <i>Fund Cash Balances, January 1</i>                 | 774,912      | 279,450            | 434,070             | 1,488,432                      |
| <b>Fund Cash Balances, December 31</b>               |              |                    |                     |                                |
| Restricted   | -            | 122,125            | 13,808              | 135,933                        |
| Assigned   | 144,491      | -                  | 387,925             | 532,416                        |
| Unassigned   | 800,296      | -                  | -                   | 800,296                        |
| <i>Fund Cash Balances, December 31</i>               | \$944,787    | \$122,125          | \$401,733           | \$1,468,645                    |

See accompanying notes to the basic financial statements

# Holmes County District Public Library

*Holmes County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

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## **Note 1 - Reporting Entity**

The Holmes County District Public Library (the Library), Holmes County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library is directed by a seven-member Board of Trustees; four are appointed by the Holmes County Commissioners and three are appointed by the Holmes County Common Pleas Court Judge. The Library provides the community with various educational and literary resources.

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

## **Note 2 - Summary of Significant Accounting Policies**

### ***Basis of Presentation***

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

### ***Fund Accounting***

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

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

***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:

***Special Revenue Fund*** – This fund is used to collect donations from the public for the purpose of purchasing library materials and other library resources and equipment.

***Bookmobile Support Fund*** – This fund receives monies from the public and the General Fund for the purpose of buying materials and fuel for the bookmobile as well as paying for bookmobile maintenance and replacement.

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

***Capital Improvements Fund*** – This fund receives transfers from the General Fund and donations from the public for the purpose of capital projects.

**Holmes County District Public Library**  
*Holmes County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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***Automated Library Systems Fund*** – This fund receives transfers from the General Fund and is used primarily to upgrade computer systems.

***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 may not exceed appropriations at the fund, function, and major 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.

***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.

**Holmes County District Public Library**

*Holmes County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2017*

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

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

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Library Board or a Library official delegated that authority by resolution, or by State Statute. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

**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 2017 follows:

| 2017 Budgeted vs. Actual Receipts |                   |                 |          |
|-----------------------------------|-------------------|-----------------|----------|
| Fund Type                         | Budgeted Receipts | Actual Receipts | Variance |
| General                           | \$1,143,300       | \$1,160,988     | \$17,688 |
| Special Revenue                   | 40,000            | 107,546         | 67,546   |
| Capital Projects                  | 7,000             | 3,722           | (3,278)  |

| 2017 Budgeted vs. Actual Budgetary Basis Disbursements |                         |                         |           |
|--|-------------------------|-------------------------|-----------|
| Fund Type  | Appropriation Authority | Budgetary Disbursements | Variance  |
| General  | \$1,151,258             | \$1,006,335             | \$144,923 |
| Special Revenue  | 276,199                 | 265,217                 | 10,982    |
| Capital Projects                                       | 89,237                  | 36,059                  | 53,178    |

**Holmes County District Public Library**  
*Holmes County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**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:

|                         |             |
|-------------------------|-------------|
|                         | 2017        |
| Demand deposits         | \$1,267,432 |
| Certificates of deposit | 200,958     |
| Cash on hand            | 255         |
| Total deposits          | \$1,468,645 |

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Library; or collateralized by the financial institution’s public entity deposit pool.

**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.

**Note 6 - Risk Management**

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. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. 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. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

**Holmes County District Public Library**  
*Holmes County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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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, 2016.

|                 | <b>2016</b>        |
|-----------------|--------------------|
| Assets          | \$14,765,712       |
| Liabilities     | <u>(9,531,506)</u> |
| Members' Equity | \$ 5,234,206       |

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

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.

**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Library contributed an amount equaling 14%, of participants' gross salaries. The Library has paid all contributions required through December 31, 2017.

**Note 8 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016, and 1.0 percent during calendar year 2017.

**Note 9 – Related Party Transactions**

A Library Board member is part owner of a company from which the Library acquired supplies during the year. Purchases totaled \$26.

**Holmes County District Public Library**  
*Holmes County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**Note 10 – Contingent Liabilities**

Management believes there are no pending claims or lawsuits.

**Holmes County District Public Library  
Holmes County**

*Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balances (Regulatory Cash Basis)  
All Governmental Fund Types  
For the Year Ended December 31, 2016*

|  | General      | Special<br>Revenue | Capital<br>Projects | Total<br>Governmental<br>Funds |
|--|--------------|--------------------|---------------------|--------------------------------|
| <b>Cash Receipts</b>                                 |              |                    |                     |                                |
| Public Library Fund                                  | \$ 1,100,006 | -                  | -                   | 1,100,006                      |
| Intergovernmental                                    | -            | \$ 100,000         | -                   | 100,000                        |
| Patron Fines and Fees                                | 32,769       | -                  | -                   | 32,769                         |
| Services Provided to Other Entities                  | 6,460        | -                  | -                   | 6,460                          |
| Contributions, Gifts and Donations                   | 9,113        | 27,257             | \$ 2,000            | 38,370                         |
| Earnings on Investments                              | 643          | 101                | 1,475               | 2,219                          |
| Miscellaneous  | 437          | -                  | 12,623              | 13,060                         |
| <i>Total Receipts</i>                                | 1,149,428    | 127,358            | 16,098              | 1,292,884                      |
| <b>Cash Disbursements</b>                            |              |                    |                     |                                |
| Current:   |              |                    |                     |                                |
| Library Services:                                    |              |                    |                     |                                |
| Public Services and Programs                         | 484,054      | -                  | -                   | 484,054                        |
| Collection Development and Processing                | 129,816      | 18,395             | -                   | 148,211                        |
| Support Services:                                    |              |                    |                     |                                |
| Facilities Operation and Maintenance                 | 64,255       | 10,349             | -                   | 74,604                         |
| Information Services                                 | 46,962       | -                  | 2,406               | 49,368                         |
| Business Administration                              | 228,143      | 123                | -                   | 228,266                        |
| Capital Outlay                                       | 3,500        | -                  | 9,266               | 12,766                         |
| <i>Total Disbursements</i>                           | 956,730      | 28,867             | 11,672              | 997,269                        |
| <i>Excess of Receipts Over (Under) Disbursements</i> | 192,698      | 98,491             | 4,426               | 295,615                        |
| <b>Other Financing Sources (Uses)</b>                |              |                    |                     |                                |
| Transfers In   | -            | 113,450            | -                   | 113,450                        |
| Transfers Out  | (113,450)    | -                  | -                   | (113,450)                      |
| <i>Total Other Financing Sources (Uses)</i>          | (113,450)    | 113,450            | -                   | -                              |
| <i>Net Change in Fund Balances</i>                   | 79,248       | 211,941            | 4,426               | 295,615                        |
| <i>Fund Cash Balances, January 1</i>                 | 695,664      | 67,509             | 429,644             | 1,192,817                      |
| <b>Fund Cash Balances, December 31</b>               |              |                    |                     |                                |
| Restricted   | -            | 266,623            | 13,808              | 280,431                        |
| Committed  | -            | 12,827             | -                   | 12,827                         |
| Assigned   | 14,952       | -                  | 420,262             | 435,214                        |
| Unassigned   | 759,960      | -                  | -                   | 759,960                        |
| <i>Fund Cash Balances, December 31</i>               | \$774,912    | \$279,450          | \$434,070           | \$1,488,432                    |

See accompanying notes to the basic financial statements

# Holmes County District Public Library

*Holmes County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

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## **Note 1 - Reporting Entity**

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## **Note 2 - Summary of Significant Accounting Policies**

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### ***Fund Accounting***

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**Holmes County District Public Library**  
*Holmes County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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***Automated Library Systems Fund*** – This fund receives transfers from the General Fund and is used primarily to upgrade computer systems.

***Basis of Accounting***

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***Budgetary Process***

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

A summary of 2016 budgetary activity appears in Note 3.

***Deposits and Investments***

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***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.

**Holmes County District Public Library**

*Holmes County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

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

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

**Assigned** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Library Board or a Library official delegated that authority by resolution, or by State Statute. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

**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, 2016 follows:

| Fund Type        | 2016 Budgeted vs. Actual Receipts |                 |          |
|------------------|-----------------------------------|-----------------|----------|
|                  | Budgeted Receipts                 | Actual Receipts | Variance |
| General          | \$1,143,300                       | \$1,149,428     | \$6,128  |
| Special Revenue  | 213,750                           | 240,808         | 27,058   |
| Capital Projects | 11,000                            | 16,098          | 5,098    |

**Holmes County District Public Library**  
*Holmes County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

| 2016 Budgeted vs. Actual Budgetary Basis Disbursements |                            |                            |          |
|--|----------------------------|----------------------------|----------|
| Fund Type  | Appropriation<br>Authority | Budgetary<br>Disbursements | Variance |
| General  | \$1,177,051                | \$1,085,132                | \$91,919 |
| Special Revenue  | 273,885                    | 255,191                    | 18,694   |
| Capital Projects                                       | 48,500                     | 11,672                     | 36,828   |

**Note 4 – Deposits and Investments**

The Library maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

|                         |             |
|-------------------------|-------------|
|                         | 2016        |
| Demand deposits         | \$1,287,758 |
| Certificates of deposit | 200,469     |
| Cash on hand            | 205         |
| Total deposits          | \$1,488,432 |

The Library sold donated stock on December 29, 2016, but the proceeds were not received until January 4, 2017. See Note 11.

***Deposits***

Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Library; or collateralized by the financial institution's public entity deposit pool.

**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.

**Holmes County District Public Library**  
*Holmes County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 6 - Risk Management**

The Library belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (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, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% 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 772 and 783 members as of December 31, 2015 and 2014 respectively.

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, 2015 and 2014 (the latest information available).

|                 | <u>2015</u>        | <u>2014</u>        |
|-----------------|--------------------|--------------------|
| Assets          | \$14,643,667       | \$14,830,185       |
| Liabilities     | <u>(9,112,030)</u> | <u>(8,942,504)</u> |
| Members' Equity | <u>\$5,531,637</u> | <u>\$5,887,681</u> |

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

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.

**Holmes County District Public Library**

*Holmes County*

*Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

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**Note 7 - Defined Benefit Pension Plans**

***Ohio Public Employees Retirement System***

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

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

**Note 8 - Postemployment Benefits**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

**Note 9 – Construction and Contractual Commitments**

The Library contracted with Farber Specialty Vehicles for the purchase of a Farber M2 Bookmobile at a quoted price of \$224,750. As of December 31, 2016, the entire contract price remains outstanding.

**Note 10 – Related Party Transactions**

A Library Board member is part owner of a business from which the Library acquired hardware supplies and library programming supplies during the year. Purchases totaled \$233.

**Note 11 – Subsequent Events**

The Library sold donated stock on December 29, 2016; however, the proceeds were not received until January 4, 2017. The net proceeds from the sale totaled \$10,649.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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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

Holmes County District Public Library  
Holmes County  
3102 Glen Drive  
Millersburg, Ohio 44654

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 Holmes County District Public Library, Holmes County, (the Library) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated April 22, 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***

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the Library's management in a separate letter dated April 22, 2018.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



*Charles E. Harris & Associates, Inc.*  
April 22, 2018



# Dave Yost • Auditor of State

HOLMES COUNTY DISTRICT PUBLIC LIBRARY

HOLMES 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  
JULY 3, 2018