



OHIO AUDITOR OF STATE
KEITH FABER



**SHELBY COUNTY LIBRARIES
SHELBY COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Shelby County Libraries
Shelby County
230 East North Street
Sidney, Ohio 45365

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental fund type combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Shelby County Libraries, Shelby County, Ohio (the Library).

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, 2020 and 2019, 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 for each governmental fund type as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Library, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 13 (for the year ended December 31, 2020) and Note 10 (for the year ended December 31, 2019) to the financial statements, the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Library. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2021, 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

September 24, 2021

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Shelby County Libraries
Shelby County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Public Library	\$1,608,213			\$1,608,213
Intergovernmental		\$153,000		153,000
Patron Fines and Fees	1,459			1,459
Services Provided to Other Entities	27,812			27,812
Contributions, Gifts and Donations	31,368			31,368
Earnings on Investments	618			618
Miscellaneous	6,637			6,637
<i>Total Cash Receipts</i>	<u>1,676,107</u>	<u>153,000</u>		<u>1,829,107</u>
Cash Disbursements				
Current:				
Library Services:				
Public Services and Programs	219,111			219,111
Support Services:				
Facilities Operation and Maintenance	36,123	6,194	\$15,388	57,705
Information Services	78,565	1,861		80,426
Business Administration	1,205,889			1,205,889
Other	10,026	89,852		99,878
Capital Outlay	17,955	960		18,915
<i>Total Cash Disbursements</i>	<u>1,567,669</u>	<u>98,867</u>	<u>15,388</u>	<u>1,681,924</u>
<i>Net Change in Fund Cash Balances</i>	108,438	54,133	(15,388)	147,183
<i>Fund Cash Balances, January 1</i>	<u>214,085</u>	<u>87,201</u>	<u>16,466</u>	<u>317,752</u>
<i>Fund Cash Balances, December 31</i>	<u>\$322,523</u>	<u>\$141,334</u>	<u>\$1,078</u>	<u>\$464,935</u>

See accompanying notes to the basic financial statements.

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Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The Shelby County Libraries (the Library), Shelby 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 Sidney City School Board of Education appoints a 7-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

Public Entity Risk Pools and Related Organizations

The Library participates in a public entity risk pool (Ohio Plan Risk Management, Inc.) and is associated with the Community Foundation of Shelby County. Notes 7 and 11 to the financial statements provides additional information for these entities.

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 (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:

Library Services and Technology Act (LSTA) Grant Fund - This fund is used to account for monies from a grant to be used for in-house initiatives, statewide initiatives, or competitive grant programs.

Wical Fund - This fund is used to account for monies from a donation, which are to be used for future technology upgrades and improvements for the Botkins Branch Library.

Harshbarger Fund – This fund is used to account for monies from a donation, which are to be used for the improvement of facilities, including the collection of books on display at the Library.

CARES Act Grant Fund – This fund is used to account for federal funding monies disbursed to aide with expenditures related to the COVID-19 pandemic.

Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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:

Building Expansion Fund – This fund receives donations from citizens and businesses in the surrounding area to be used for building construction costs.

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 2020 budgetary activity appears in Note 4.

Deposits and Investments

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

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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.

Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Library and the nonspendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Projects fund by \$15,388 for the year ended December 31, 2020.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2020

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,717,742	\$1,676,107	(\$41,635)
Special Revenue	150,000	153,000	3,000
Capital Projects	0	0	0
Total	\$1,867,742	\$1,829,107	(\$38,635)

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,722,093	\$1,576,102	\$145,991
Special Revenue	150,000	154,809	(4,809)
Capital Projects	0	15,388	(15,388)
Total	\$1,872,093	\$1,746,299	\$125,794

Note 5 – Deposits and Investments

To improve cash management, cash received by the Library is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Library’s deposit and investment accounts are as follows:

	2020
<i>Cash Management Pool:</i>	
Demand deposits	\$370,943
Certificates of deposit	10,000
Total deposits	380,943
STAR Ohio	83,682
Total investments	83,682
Cash on Hand	310
<i>Total carrying amount of deposits and investments held in the Pool</i>	\$464,935

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

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

Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 6 – Grants in Aid

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 7 – 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. 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. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM’s property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. Effective November 1, 2020, the OPRM’s property retention increased from 33% to 55%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 771 members as of December 31, 2020.

The Pool’s audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2020.

Assets	\$18,826,974
Liabilities	<u>(13,530,267)</u>
Members’ Equity	<u>\$ 5,296,707</u>

You can read the complete audited financial statements for OPRM at the Plan’s website, www.ohioplan.org.

Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Library 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Library contributed an amount equaling 14 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2020.

Note 9 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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 members in the traditional pension plan and combined plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2020.

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Library are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – The Community Foundation of Shelby County

The Community Foundation of Shelby County (the "Foundation") is a not-for-profit corporation that was created in 1952 and invests charitable funds into investment pools, including a fund established in 2018 called the Shelby County Libraries Foundation. The Foundation was formed to be the primary partner for donors who want to advance the community's quality of life and capacity for excellence.

Unaudited financial statements of the Foundation may be obtained by contacting Marian Spicer, Executive Director, at mspicer@commfoun.com.

Note 12 – Fund Balances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control.

Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Fund Balances	General	Special Revenue	Capital Projects	Total
Non-spendable:				
Unclaimed Monies				
Corpus				
Outstanding Encumbrances	\$8,433	\$55,942		\$64,375
Total	\$8,433	\$55,942	\$0	\$64,375

The fund balance of special revenue funds restricted. The fund balance of capital projects funds is committed. These restricted and committed amounts in the special revenue and capital projects funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Library. The impact on the Library's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Library received \$150,000 in CARES Act funding. This amount is recorded in the CARES Act Grant Special Revenue Fund.

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Shelby County Libraries
Shelby County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2019

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Public Library	\$1,611,220			\$1,611,220
Patron Fines and Fees	17,662			17,662
Services Provided to Other Entities	30,175			30,175
Contributions, Gifts and Donations	56,165		\$58,422	114,587
Earnings on Investments	1,933			1,933
Miscellaneous	14,554			14,554
<i>Total Cash Receipts</i>	<u>1,731,709</u>		<u>58,422</u>	<u>1,790,131</u>
Cash Disbursements				
Current:				
Library Services:				
Public Services and Programs	277,344			277,344
Support Services:				
Facilities Operation and Maintenance	45,305	\$3,000		48,305
Information Services	70,372	3,210		73,582
Business Administration	1,232,235			1,232,235
Other	11,639			11,639
Capital Outlay	27,847	2,800	36,034	66,681
<i>Total Cash Disbursements</i>	<u>1,664,742</u>	<u>9,010</u>	<u>36,034</u>	<u>1,709,786</u>
<i>Net Change in Fund Cash Balances</i>	66,967	(9,010)	22,388	80,345
<i>Fund Cash Balances, January 1</i>	<u>147,118</u>	<u>96,211</u>	<u>(5,922)</u>	<u>237,407</u>
Fund Cash Balances, December 31				
Restricted		87,201		87,201
Committed			16,466	16,466
Assigned	16,997			16,997
Unassigned (Deficit)	197,088			197,088
<i>Fund Cash Balances, December 31</i>	<u>\$214,085</u>	<u>\$87,201</u>	<u>\$16,466</u>	<u>\$317,752</u>

See accompanying notes to the basic financial statements.

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Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The Shelby County Libraries (the Library), Shelby 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 Sidney City School Board of Education appoints a 7-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

Public Entity Risk Pools and Related Organizations

The Library participates in a public entity risk pool (Ohio Plan Risk Management, Inc.) and is associated with the Community Foundation of Shelby County. Notes 6 and 9 to the financial statements provides additional information for these entities.

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 (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:

Library Services and Technology Act (LSTA) Grant Fund - This fund is used to account for monies from a grant to be used for in-house initiatives, statewide initiatives, or competitive grant programs.

Wical Fund - This fund is used to account for monies from a donation, which are to be used for future technology upgrades and improvements for the Botkins Branch Library.

Harshbarger Fund – This fund is used to account for monies from a donation, which are to be used for the improvement of facilities, including the collection of books on display at 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 funds:

Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Building Expansion Fund – This fund receives donations from citizens and businesses in the surrounding area to be used for building construction costs.

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 2019 budgetary activity appears in Note 3.

Deposits and Investments

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

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Capital Assets

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

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:

Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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

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

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

Assigned - Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Board or 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, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,684,079	\$1,731,709	\$47,630
Special Revenue	0	0	0
Capital Projects	51,000	58,422	7,422
Total	\$1,735,079	\$1,790,131	\$55,052

Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2019

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,699,954	\$1,681,740	\$18,214
Special Revenue	38,671	9,010	29,661
Capital Projects	45,000	36,034	8,966
Total	\$1,783,625	\$1,726,784	\$56,841

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:

	2019
Demand deposits	\$224,350
Certificates of deposit	10,000
Total deposits	234,350
STAR Ohio	83,092
Total investments	83,092
Cash On Hand	310
<i>Total deposits and investments</i>	\$317,752

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

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

Note 5 – Grants in Aid

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.

Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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. 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. The OPRM is also participated in a property primary excess of loss treaty. This treaty reimbursed the OPRM 30% for losses between \$200,000 and \$1,000,000. The reimbursement is based on the amount of loss between \$200,000 and \$1,000,000. Effective November 1, 2018, the OPRM the property retention remained unchanged; however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. Effective November 1, 2019, the OPRM's property retention increased from 30% to 33%, while the casualty treaty remains unchanged and still assumes 100% of the first \$250,000 casualty treaty. OPRM had 776 members as of December 31, 2019.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2019.

-	Assets	\$15,920,504
	Liabilities	<u>(11,329,011)</u>
	Members' Equity	<u>\$ 4,591,493</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Library 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Library contributed an amount equaling 14 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2019.

Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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 members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2019.

Note 9 – The Community Foundation of Shelby County

The Community Foundation of Shelby County (the "Foundation") is a not-for-profit corporation that was created in 1952 and invests charitable funds into investment pools, including a fund established in 2018 called the Shelby County Libraries Foundation. The Foundation was formed to be the primary partner for donors who want to advance the community's quality of life and capacity for excellence.

Unaudited financial statements of the Foundation may be obtained by contacting Marian Spicer, Executive Director, at mspicer@commfoun.com.

Note 10 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Library. The impact on the Library's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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

Shelby County Libraries
Shelby County
230 East North Street
Sidney, Ohio 45365

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 for each governmental fund type as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Shelby County Libraries, Shelby County, (the Library) and have issued our report thereon dated September 24, 2021, 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 and the financial impact of COVID-19 and the continuing emergency measures which will impact subsequent periods of the Library.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) as a basis for designing 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 2020-001 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 financial statements. 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

September 24, 2021

**SHELBY COUNTY LIBRARIES
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019**

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

FINDING NUMBER 2020-001

Material Weakness – Bank Reconciliation and Financial Statement Errors

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.

The reconciliation of cash (bank) balances to accounting system records (book) to the accounting system is the most basic and primary control process performed. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection.

The Fiscal Officer is responsible for reconciling the book (fund) balance to the total bank balance on a monthly basis, and the Board and/or other administrator are responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not reviewed or approved by the Board each month of 2020 and 2019. Failure to have a formal review and approval process in place after the monthly reconciliation preparation increases the possibility that the Library will not be able to identify, assemble, analyze, classify, and record its transactions correctly or to document compliance with finance related legal and contractual requirements. Further, the lack of Board review and approval over monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Library prepared its annual financial statements in accordance with accounting practices the Auditor of State prescribes or permits. The Library's financial statements for 2020 and 2019 contained the following misstatements. These misstatements were material and adjusted on the Library's financial statements.

- The 2019 Special Revenue Funds Balance at January 1, 2019 was understated by \$9,011 due to a carry forward clerical error from the December 31, 2018 audited balance.
- The 2019 Capital Projects Fund Balance was misclassified according to Governmental Accounting Standards Board (GASB) Statement No. 54. As a result, Restricted fund balance was overstated by \$16,466 and Committed fund balance was understated by the same amount.
- The 2019 General Fund Balance at January 1, 2019 and Business Administration disbursements were both overstated by \$17,022 related to posted adjustments from the prior 2017-2018 audit.

The Library prepared its annual financial statements in accordance with accounting practices the Auditor of State prescribes or permits. The Library's financial statements for 2020 and 2019 contained the following misstatements. These misstatements were immaterial and not adjusted on the Library's financial statements.

**FINDING NUMBER 2020-001
(Continued)**

- The 2019 General Fund Services Provided to Other Entities receipts was understated by \$5,250 due to a United Way ACH deposit not being recorded in the accounting system until 2020. As a result, General Fund Balance at December 31, 2019 was understated by the same amount.
- There was an unreconciled variance of \$2,215 between the Library's adjusted financial statements and the Library's reconciled bank accounts at December 31, 2019. The total cash in the Library's reconciled bank accounts was greater than total cash on the Library's accounting system at year-end 2019. There was also an unreconciled variance of \$1,306 between the Library's adjusted financial statements and the Library's reconciled bank accounts at December 31, 2020. The total cash in the Library's reconciled bank accounts was less than total cash on the Library's accounting system at year-end 2020.
- The Library's bank reconciliations for all months during 2019 and 2020 included numerous unusual items, mostly in relatively small amounts.

The above errors were caused by the Library's lack of understanding of the bank reconciliation process and a failure to appropriately monitor the bank reconciliation process. Failure to prepare a monthly bank reconciliation that properly reconciles and does not include unusual or incorrect reconciling items and failure to implement adequate controls over cash and the cash reconciliation process could lead to errors and irregularities occurring and not being identified in a timely manner. This could also lead to management decisions being made based on incorrect information if the true fund balance is not known.

The Library should implement procedures related to cash controls and the cash reconciliation process. Bank reconciliations should be prepared timely and reviewed and approved for accuracy by the Board. This review and approval should be documented in the Board's minutes. Any unusual reconciling items and variances should be investigated and corrected in a timely manner. Total cash should be reconciled to total fund balances on the accounting system.

Officials' Response:

We have started including a copy of the summary bank reconciliation with the financial information that is sent to the Board each month.

The misstatement of the United Way ACH situation has been corrected by keeping the books open on CMI until after I received the bank statement and including any such ACH deposits on the CMI system in the month it appears on the bank statement.

The items you considered numerous unusual items were adjustments needed to bring the statement into balance. When the receipts are recorded in the receipt book and taken to the bank, it is recorded on that date in our system. At times some of the receipts, especially credit card transactions, do not hit the bank until a couple of days later. If there is a credit card transaction at the end of the month, it will be taken to the bank but not posted by them for a couple of days. Some of the other charges were due to the ADP fees that were estimated and then adjusted when they were withheld. This is no longer a factor since we are done with this payroll company and are doing payroll in-house.

We have gotten all bank accounts on our books in balance with the bank statements. There are adjustments made to show receipts hitting the system and the bank in different months and to include information from the payroll carryover withholding report. At times taxes, Medicare and OPERS have period ending dates that are in one month and the pay date is in another month. The withholding is posted on the system at the time payroll is done but may not be on the bank statement until the following month. Adjustments are being made to show this information as outstanding for the employer share as well as the employee share. Previously only the employee share was on the outstanding list.

Shelby County **LIBRARIES**

Honoring Each Person's Quest

Locations in Anna, Botkins, Ft. Loramie, Jackson Center, Russia and Sidney

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2020 AND 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Material Weakness – Bank Reconciliations	Not corrected	Shelby County Libraries is aware of the items recorded in the 2017-2018 audit report and is aware this finding was repeated in the 2019-2020 report and will work to correct the items for the next audit period.

OHIO AUDITOR OF STATE KEITH FABER



SHELBY COUNTY LIBRARIES

SHELBY COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/4/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov