



OHIO AUDITOR OF STATE
KEITH FABER



**SALEM TOWNSHIP PUBLIC LIBRARY
WARREN COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Salem Township Public Library
Warren County
535 West Pike Street
Morrow, Ohio 45152

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 as of and for the years ended December 31, 2020 and 2019, and related notes of the Salem Township Public Library, Warren 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(C) 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(C), 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(C) 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.

Basis for Additional Opinion Qualification

The accompanying financial statements for the years ended December 31, 2020 and 2019, present unclassified receipts and disbursements. Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(C) require governments to classify receipt and disbursement transactions. We were unable to obtain sufficient appropriate audit evidence supporting the classification of receipt and disbursement transactions. In addition, we were unable to obtain sufficient appropriate audit evidence supporting payroll-related disbursements which represent a portion of the amounts recorded as Cash Disbursements for the years ended December 31, 2020 and 2019. Consequently, we were unable to determine whether any adjustments to Cash Disbursements were necessary. Also, minute records were not maintained by the Library for the years ending December 31, 2020 and 2019. Therefore we were unable to gain the necessary assurances over the completeness and accuracy of the Library's presentation and disclosures.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effects of the matters described in the *Basis for Additional Opinion Qualification* paragraph, 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 years ended December 31, 2020 and 2019 and related notes of the Salem Township Public Library, Warren County, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) 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 November 18, 2024, 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.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio
November 18, 2024

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Salem Township Public Library, Warren County
 Combined Statement of Unclassified Cash Receipts, Unclassified Cash Disbursements and
 Changes in Fund Cash Balances
 All Governmental Fund Types
 For the Year Ended December 31, 2020

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General Fund</u>	<u>Special Revenue Fund</u>	
Cash Receipts:	\$1,320,520	\$0	\$1,320,520
Cash Disbursements:	<u>724,754</u>	<u>0</u>	<u>724,754</u>
Net Change in Fund Cash Balance	595,766	0	595,766
Fund Cash Balances, January 1	<u>3,481,241</u>	<u>18,272</u>	<u>3,499,513</u>
Restricted:			
Library Programs	0	18,272	18,272
Unassigned	<u>4,077,007</u>	<u>0</u>	<u>4,077,007</u>
Fund Cash Balances December 31	<u><u>\$4,077,007</u></u>	<u><u>\$18,272</u></u>	<u><u>\$4,095,279</u></u>

Salem Township Public Library
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The Salem Township Public Library (the Library), Warren 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 Salem Township Public Library was organized as a Salem Township Trustee district public library in 1884. The Library has its own Board of Trustees of three members who are appointed by the Salem Township Board of Trustees. Appointments are indefinite and members serve without compensation. The Library provides the community with various educational and literary resources. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

The Library is fiscally independent of the Salem Township Board of Trustees, although the Board of Trustees serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and the purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Salem Township Board of Trustees must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Salem Township Board of Trustees.

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. Management has elected to present their financial statements using an unclassified presentation.

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 Fund – The special revenue fund accounts for and reports the proceeds of specific revenue sources that are restricted to expenditure for specified purposes other than debt service or capital projects.

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 (C). This basis is similar to the cash receipts and disbursements accounting basis. (See also Basis of Presentation above.) The Library 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).

Salem Township Public Library
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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 (C) permit.

Budgetary Process

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

A summary of 2020 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.

Money market mutual funds are recorded at share values the mutual funds report. The Library has an operating account with First National Bank, Lebanon, Ohio. This Bank also holds a Certificate of Deposit for the Carrie Scheurer Trust valued at \$18,272, maturing every year in October. It has been the practice of the Library Director to roll the Certificate of Deposit each year for a one-year period.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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.

Salem Township Public Library
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*.

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, 2020, follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,310,488	\$1,320,520	\$10,032
Special Revenue	0	0	0
Total	\$1,310,488	\$1,320,520	\$10,032

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$724,754	(\$724,754)
Special Revenue	0	0	0
Total	\$0	\$724,754	(\$724,754)

Note 4 – Deposits and Investments

The Library maintains a deposits and investments pool all funds use. 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	\$4,077,007
Certificate of Deposit	18,272
<i>Total carrying amount of deposits and investments held in the Pool</i>	\$4,095,279

Salem Township Public Library
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Deposits

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

Note 5 – Grants in Aid and Taxes

Grants in Aid

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June of the subsequent year.

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Library.

Note 6 – Risk Management

Workers' Compensation

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.

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

Salem Township Public Library
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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. The OPERS member contribution rate is 10 percent of their gross salaries. The Library "picked up" the 10 percent member contributions, and the Library contributed an amount equaling 14 percent of participants' gross salaries for the employer contributions. The Library has paid all contributions required through December 31, 2020.

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 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 9 – 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 Library's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

Note 10 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General fund by \$724,754 for the year ended December 31, 2020.

Salem Township Public Library, Warren County
 Combined Statement of Unclassified Cash Receipts, Unclassified Cash Disbursements and
 Changes in Fund Cash Balances
 All Governmental Fund Types
 For the Year Ended December 31, 2019

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General Fund</u>	<u>Special Revenue Fund</u>	
Cash Receipts:	\$1,312,006	\$0	\$1,312,006
Cash Disbursements:	<u>836,077</u>	<u>0</u>	<u>836,077</u>
Net Change in Fund Cash Balance	475,929	0	475,929
Fund Cash Balances, January 1 (Restated - See Note 3)	<u>3,005,312</u>	<u>18,272</u>	<u>3,023,584</u>
Restricted:			
Library Programs	0	18,272	18,272
Unassigned	<u>3,481,241</u>	<u>0</u>	<u>3,481,241</u>
Fund Cash Balances December 31	<u><u>\$3,481,241</u></u>	<u><u>\$18,272</u></u>	<u><u>\$3,499,513</u></u>

Salem Township Public Library
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

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The Library is fiscally independent of the Salem Township Board of Trustees, although the Board of Trustees serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and the purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Salem Township Board of Trustees must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Salem Township Board of Trustees.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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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 (C). This basis is similar to the cash receipts and disbursements accounting basis. (See also Basis of Presentation above.) The Library 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).

Salem Township Public Library
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 (C) permit.

Budgetary Process

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

A summary of 2019 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.

Money market mutual funds are recorded at share values the mutual funds report. The Library has an operating account with First National Bank, Lebanon, Ohio. This Bank also holds a Certificate of Deposit for the Carrie Scheurer Trust valued at \$18,272, maturing every year in October. It has been the practice of the Library Director to roll the Certificate of Deposit each year for a one-year period.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

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

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.

Salem Township Public Library
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*.

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 – Change in Accounting Principle and Restatement of Fund Balances

The Library brought on the previously off books Carrie Schuerer Trust, which had the following effect on fund balance as of December 31, 2018:

	Governmental Funds		Total
	General Fund	Special Revenue Fund	
Fund Balances, December 31, 2018	\$3,005,312	\$0	\$3,005,312
Adjustment	0	18,272	18,272
Restated Fund Balances, December 31, 2018	\$3,005,312	\$18,272	\$3,023,584

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2019, follows:

Fund Type	2019 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$1,328,352	\$1,312,006	(\$16,346)
Special Revenue	0	0	0
Total	\$1,328,352	\$1,312,006	(\$16,346)

Fund Type	2019 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,034,800	\$836,077	\$198,723
Special Revenue	0	0	0
Total	\$1,034,800	\$836,077	\$198,723

Note 5 – Deposits and Investments

The Library maintains a deposits and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Library’s deposit and investment accounts are as follows:

Salem Township Public Library
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2019

	2019
<i>Cash Management Pool:</i>	
Demand Deposits	\$3,481,241
Certificate of Deposit	18,272
<i>Total carrying amount of deposits and investments held in the Pool</i>	\$3,499,513

Deposits

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

Note 6 – Grants in Aid and Taxes

Grants in Aid

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State’s general revenue fund during the preceding month using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June of the subsequent year.

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Other Governments’ Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property and for billing, collecting, and distributing all property taxes on behalf of the Library.

Note 7 – Risk Management

Workers’ Compensation

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.

Salem Township Public Library
Warren County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

Note 8 – 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. The OPERS member contribution rate is 10 percent of their gross salaries. The Library “picked up” the 10 percent member contributions, and the Library contributed an amount equaling 14 percent of participants’ gross salaries for the employer contributions. The Library has paid all contributions required through December 31, 2019.

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 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.

OHIO AUDITOR OF STATE KEITH FABER



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Columbus, Ohio 43215
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800-282-0370

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

Salem Township Public Library
Warren County
535 West Pike Street
Morrow, Ohio 45152

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 years ended December 31, 2020 and 2019, and related notes of the Salem Township Public Library, Warren County, (the Library) and have issued our report thereon dated November 18, 2024, wherein we noted the Library followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit. We also qualified our opinion on the financial statements, as of and for the years ended December 31, 2020 and 2019, because the financial statements present unclassified receipts and disbursements. In addition, we qualified our opinion because we were unable to obtain sufficient appropriate audit evidence supporting the payroll-related disbursements which are reported as part of total disbursement transactions. Furthermore, we also qualified our opinion because we were unable to examine the minutes to gain assurance over the completeness and accuracy of the Library's presentation and disclosures.

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 certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2020-001 through 2020-005 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2020-001, 2020-003, and 2020-004.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio
November 18, 2024

**SALEM TOWNSHIP PUBLIC LIBRARY
WARREN COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2020-001

Noncompliance / Material Weakness

Ohio Rev. Code § 117.38 states, in part, that each public office, other than a state agency, shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. The report shall be certified by the proper officer or board and filed with the auditor of state within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles shall file their reports within one hundred fifty days after the close of the fiscal year. The Auditor of State may extend the deadline for filing a financial report and establish terms and conditions for any such extension.

The Library's December 31, 2020 annual financial report due by March 1, 2021 was not filed with the Auditor of State until April 1, 2024.

The Library's December 31, 2019 annual financial report due by March 2, 2020 was not filed with the Auditor of State until April 1, 2024.

Further, **Ohio Admin. Code 117-2-02(A)** requires all local public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements, and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The Library did not have procedures in place sufficient to prepare classified financial statements for the years ended December 31, 2020 and 2019.

As a result of the Library presenting unclassified statements, the Library received a qualified opinion over the financial statements. Failure to file a complete report by the established deadline, without an extension, could result in the assessment of penalties against the Library. Failure to accurately post and monitor financial activity increases the risk that errors, theft, and fraud could occur and not be detected in a timely manner.

The Library should implement procedures to verify its annual financial report is filed with the Auditor of State by the required deadline. If the Library is unable to meet the deadline, the Library should file an extension request through the Auditor of State. Due care should be exercised when posting entries to the financial records and preparation of the financial statements to prevent errors and to assist in properly reflecting the Library's financial activity. In addition, the Board should adopt procedures for ongoing reviews of the activity recorded in the underlying accounting records and reported on the financial statements so that errors can be detected and corrected in a timely manner.

FINDING NUMBER 2020-002

Material Weakness

Sound accounting practices require that when designing the public office's system of internal control and the specific control activities, management should ensure adequate security of assets and records and verify the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The reconciliation of cash (bank) balances to accounting system records (book) 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 is responsible for reviewing the reconciliations and related support.

Monthly bank to book reconciliations were not prepared or reviewed from July through December of 2020. At December 31, 2020, the amount of outstanding checks was unknown and the bank balance was higher than the book balance in the amount of \$15,513. The financial statements and accounting records have not been adjusted for this error. This led to the Library being declared unauditable. As of the date of this report, the Library's fund balances are reconciled to the bank balance.

Failure to reconcile monthly 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 accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle and could lead to inaccurate reporting in the annual financial statements.

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, the Board should review the monthly cash reconciliations including the related support (such as reconciling items) and document the reviews.

FINDING NUMBER 2020-003

Noncompliance / Material Weakness

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

The Library did not pass an appropriation measure for the year ended December 31, 2020.

Further, **Ohio Rev. Code § 5705.41(B)** prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code.

Due to inadequate policies and procedures in approving an appropriation measure, the Library's General Fund had expenditures in excess of appropriations of \$724,754 as of December 31, 2020.

Failure to pass an appropriation measure could cause expenditures to exceed available resources, further resulting in deficit spending practices.

**FINDING NUMBER 2020-003
(Continued)**

The Board should pass the appropriation measure on or about the first day of each fiscal year. The Board should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

FINDING NUMBER 2020-004

Noncompliance / Material Weakness

Ohio Rev. Code § 121.22(C) requires the minutes of a regular or special meeting of any public body to be promptly prepared, filed and maintained and that they shall be open to public inspection.

Ohio Rev. Code § 121.22(F) requires every public body to, by rule, establish a reasonable method whereby any person may determine the time and place of all regularly scheduled meetings.

The Library did not provide minutes for the Board meetings held from January 1, 2019 through December 31, 2020. Without minutes for the Board meetings, there is no documentation to substantiate approval of significant actions (i.e., budgetary, contracts, debt, payroll) and matters significant for financial statement disclosure. As a result, we qualified our opinion over the Library's financial statements and accompanying note disclosures.

In addition, the Library did not establish a reasonable method whereby the public could determine the time and place of all regularly scheduled meetings.

Policies and Procedures should be established and implemented to verify that all Board meetings are held in accordance with the Ohio Sunshine Laws. Resolutions, rules, or formal actions adopted by the Library during a meeting in which the Library failed to provide proper notice pursuant to Ohio Rev. Code 121.22(F) are invalid.

FINDING NUMBER 2020-005

Material Weakness

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly authorized in accordance with management's policies, ensuring accounting records are properly designed, planning for adequate segregation of duties or compensating controls, verifying the existence and valuation of fund balances and periodically reconciling them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.

Due to a small staff, the Fiscal Officer receives various payments to the Library, prepares the Library's deposits, records receipt (deposit) information into the Library's accounting system, transports the Library's bank deposits to the designated depository, and reconciles the Library's accounting system to the bank statement monthly. The Fiscal Officer also receives the Library's bills, writes and signs checks, mails all payments, and handles all payroll information.

Also, the Library did not maintain underlying documentation and support for pay rate approval and timesheets for 2020 and 2019.

**FINDING NUMBER 2020-005
(Continued)**

A lack of segregation of duties and failure to maintain underlying documentation and support of financial transactions increases the risk that errors, theft, or fraud could occur and not be detected in a timely manner. As a result of the Library not maintaining adequate payroll supporting documentation, we qualified our opinion over the Library's financial statements.

The Library should implement adequate segregation of duties over financial transactions by involving other Library officials and employees. The Library should designate officials or employees to perform the following actions:

- Prepare bank deposits to segregate this function from the person who completes bank deposits.
- Prepare voucher packages for payment to segregate this function from the person who mails vendor checks.
- Approve payroll for processing to segregate this function from the person who maintains personnel files and from the person who posts payroll to the accounting system.

The Library should maintain all approvals of pay rates and all timesheets, and records be maintained in an orderly manner to support all transactions.

Officials' Response:

We did not receive a response from Officials to the findings reported above.

OHIO AUDITOR OF STATE KEITH FABER



SALEM TOWNSHIP PUBLIC LIBRARY

WARREN 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 12/5/2024

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This report is a matter of public record and is available online at
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