



Dave Yost • Auditor of State

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**DECEMBER 30, 2016 AND 2015
TABLE OF CONTENTS**

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Basic Financial Statements:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2016	3
Notes to the Financial Statements For the Year Ended December 31, 2016	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2015	11
Notes to the Financial Statements For the Year Ended December 31, 2015	13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Schedule of Findings.....	21

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Troy-Miami County Public Library
Miami County
419 West Main Street
Troy, Ohio 45373

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Troy-Miami County Public Library, Miami County, (the Library) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Library's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B 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, 2016 and 2015, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Troy-Miami County Public Library, Miami County, as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 29, 2017

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$646,394			\$646,394
Public Library	1,269,696			1,269,696
Patron Fines and Fees	24,374			24,374
Contributions, Gifts and Donations	48,541	\$81,322		129,863
Earnings on Investments	16,357			16,357
Miscellaneous	10,510			10,510
Total Cash Receipts	<u>2,015,872</u>	<u>81,322</u>	<u></u>	<u>2,097,194</u>
Cash Disbursements:				
Current:				
Library Services:				
Public Services and Programs	494,307	83,250		577,557
Collection Development and Processing	482,803			482,803
Support Services:				
Facilities Operation and Maintenance	140,006			140,006
Information Services	77,305			77,305
Business Administration	558,981			558,981
Capital Outlay	224,529		\$97,587	322,116
Total Cash Disbursements	<u>1,977,931</u>	<u>83,250</u>	<u>97,587</u>	<u>2,158,768</u>
Excess of Receipts Over (Under) Disbursements	<u>37,941</u>	<u>(1,928)</u>	<u>(97,587)</u>	<u>(61,574)</u>
Other Financing Receipts (Disbursements):				
Transfers In			125,000	125,000
Transfers Out	(125,000)			(125,000)
Total Other Financing Receipts (Disbursements)	<u>(125,000)</u>		<u>125,000</u>	
Net Change in Fund Cash Balances	(87,059)	(1,928)	27,413	(61,574)
Fund Cash Balances, January 1	<u>1,718,079</u>	<u>28,197</u>	<u>462,965</u>	<u>2,209,241</u>
Fund Cash Balances, December 31:				
Restricted	30,571	26,269		56,840
Assigned	109,484		490,378	599,862
Unassigned	1,490,965			1,490,965
Fund Cash Balances, December 31	<u>\$1,631,020</u>	<u>\$26,269</u>	<u>\$490,378</u>	<u>\$2,147,667</u>

See accompanying notes to the basic financial statements.

This page intentionally left blank.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Troy-Miami County Public Library was founded in 1896. The Library is a county district library established under the laws of the State of Ohio in accordance with Section 3375.20 of the Ohio Revised Code. The Library has its own Board of Trustees of seven members, four of which are appointed by the County Commissioners and three who are appointed by the Judge of Common Pleas. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. 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 Miami County Commissioners, although the County Commissioners serve in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the County Commissioners 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 County Commissioners.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the county.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

The Friends of the Ohio Public Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Therefore, this organization has been excluded from the reporting entity of the Library for the following reasons:

The Library does not have the ability to access any of the economic resources received or held by the Friends and;

The economic resources received from the Friends are not significant to the Library

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

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Accounting Basis

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

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

C. Deposits and Investments

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

The Library had no investments at December 31, 2016.

D. 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:

1. General Fund

The general fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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 Fund:

Dolly Parton Imagination Library Fund – This fund is used to account for donations and expenditures related to the Dolly Parton Imagination Library program at the Library.

3. Capital Project Funds

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

Building and Repair Fund – This fund accounts for monies set aside by the Board of Library Trustees for major capital and technology improvements.

Bookmobile Replacement Fund – This fund accounts for monies set aside by the Board of Library Trustees for replacement of the bookmobile and other associated costs.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures, that is, disbursements and encumbrances, may not exceed appropriations at the fund, major category, and object code level of control. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

A summary of 2016 budgetary activity appears in Note 3.

F. 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:

1. Non-spendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. DEPOSITS

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

	2016
Demand deposits	\$738,876
Certificates of deposit	1,127,721
Other time deposits (savings and NOW accounts)	280,850
Cash on hand	220
Total deposits and cash on hand	\$2,147,667

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,015,872	\$2,015,872	
Special Revenue	81,322	81,322	
Capital Projects	125,000	125,000	
Total	\$2,222,194	\$2,222,194	

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,343,040	\$2,212,415	\$130,625
Special Revenue	85,000	83,250	1,750
Capital Projects	195,000	97,587	97,413
Total	\$2,623,040	\$2,393,252	\$229,788

4. GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month 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.

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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

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

5. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2016, OPERS members contributed 10% of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. The Library has a pick-up plan in effect for most staff members, picking up 8.5% of the required 10% contribution. The Library has paid all contributions required through December 31, 2016.

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

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

6. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Full Coverage Auto/Liability;
- Errors and omissions; and
- Library Officials/Bond

7. INTERFUND TRANSFERS

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Interfund transfers are reported as other financing sources/uses in governmental funds. The Library transferred \$125,000 from the General Fund to the Capital Projects Funds during 2016.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$643,929			\$643,929
Public Library	1,279,942			1,279,942
Patron Fines and Fees	30,539			30,539
Contributions, Gifts and Donations	100,141	\$93,160		193,301
Earnings on Investments	12,441			12,441
Miscellaneous	6,662			6,662
Total Cash Receipts	<u>2,073,654</u>	<u>93,160</u>		<u>2,166,814</u>
Cash Disbursements				
Current:				
Library Services:				
Public Services and Programs	447,410	64,963		512,373
Collection Development and Processing	471,561			471,561
Support Services:				
Facilities Operation and Maintenance	142,070			142,070
Information Services	77,806			77,806
Business Administration	526,084			526,084
Capital Outlay	162,915			162,915
Total Cash Disbursements	<u>1,827,846</u>	<u>64,963</u>		<u>1,892,809</u>
Excess of Receipts Over Disbursements	<u>245,808</u>	<u>28,197</u>		<u>274,005</u>
Other Financing Receipts (Disbursements):				
Transfers In			\$215,000	215,000
Transfers Out	(215,000)			(215,000)
Total Other Financing Receipts (Disbursements)	<u>(215,000)</u>		<u>215,000</u>	
Net Change in Fund Cash Balances	30,808	28,197	215,000	274,005
Fund Cash Balances, January 1	<u>1,687,271</u>		<u>247,965</u>	<u>1,935,236</u>
Fund Cash Balances, December 31:				
Restricted	43,215	28,197		71,412
Assigned	327,167		462,965	790,132
Unassigned	1,347,697			1,347,697
Fund Cash Balances, December 31	<u>\$1,718,079</u>	<u>\$28,197</u>	<u>\$462,965</u>	<u>\$2,209,241</u>

See accompanying notes to the basic financial statements.

This page intentionally left blank.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Troy-Miami County Public Library was founded in 1896. The Library is a county district library established under the laws of the State of Ohio in accordance with Section 3375.20 of the Ohio Revised Code. The Library has its own Board of Trustees of seven members, four of which are appointed by the County Commissioners and three who are appointed by the Judge of Common Pleas. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. 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 Miami County Commissioners, although the County Commissioners serve in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the County Commissioners 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 County Commissioners.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the county.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

The Friends of the Ohio Public Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Therefore, this organization has been excluded from the reporting entity of the Library for the following reasons:

The Library does not have the ability to access any of the economic resources received or held by the Friends and;

The economic resources received from the Friends are not significant to the Library.

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

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Accounting Basis

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

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

C. Deposits and Investments

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

The Library records the U.S. Government Bond at cost.

D. 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:

1. General Fund

The general fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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 Fund:

Dolly Parton Imagination Library Fund – This fund is used to account for donations and expenditures related to the Dolly Parton Imagination Library program at the Library.

3. Capital Project Funds

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

Building and Repair Fund – This fund accounts for monies set aside by the Board of Library Trustees for major capital and technology improvements.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures, that is, disbursements and encumbrances, may not exceed appropriations at the fund, major category, and object code level of control. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

A summary of 2015 budgetary activity appears in Note 3.

F. 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:

1. Non-spendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. 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:

	<u>2015</u>
Demand deposits	\$815,947
Certificates of deposit	827,584
Other time deposits (savings and NOW accounts)	265,490
Cash on hand	<u>220</u>
Total deposits and cash on hand	<u>1,909,241</u>
U.S. Government Bond	<u>300,000</u>
Total investments	<u>300,000</u>
Total deposits, cash on hand, and investments	<u><u>\$2,209,241</u></u>

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

Investments: The Federal Reserve holds the Library's U.S. Government Bond in book-entry form in the name of the Library's financial institution. The financial institution maintains records identifying the Library as owner of these securities.

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,073,654	\$2,073,654	
Special Revenue	93,160	93,160	
Capital Projects	215,000	215,000	
Total	\$2,381,814	\$2,381,814	

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,202,132	\$2,075,606	\$126,526
Special Revenue	65,000	64,963	37
Capital Projects	20,000		20,000
Total	\$2,287,132	\$2,140,569	\$146,563

4. GRANTS-IN-AID AND TAX RECEIPTS

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month 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.

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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Other Governments' Grants In Aid. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the taxing district.

Property owners assess tangible personal property tax. These owners must file a list of tangible property to the County by each April 30.

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

5. RETIREMENT SYSTEMS

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

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

5. RETIREMENT SYSTEMS (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2015, OPERS members contributed 10% of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. The Library has a pick-up plan in effect for most staff members, picking up 8.5% of the required 10% contribution. The Library has paid all contributions required through December 31, 2015.

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

6. RISK MANAGEMENT

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Full Coverage Auto/Liability;
- Errors and omissions; and
- Library Officials/Bond

7. INTERFUND TRANSFERS

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Interfund transfers are reported as other financing sources/uses in governmental funds. The Library transferred \$215,000 from the General Fund to the Capital Projects Funds during 2015.



Dave Yost • Auditor of State

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

Troy-Miami County Public Library
Miami County
419 West Main Street
Troy, Ohio 45373

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Troy-Miami County Public Library, Miami County, (the Library) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated November 29, 2017 wherein we noted the Library followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Library's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider Finding Number 2016-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Library's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

November 29, 2017

**TROY-MIAMI COUNTY PUBLIC LIBRARY
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Material Weakness – Financial Statement Errors

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 the years ended December 31, 2016 and 2015 contained the following errors which were corrected on the financial statements:

- In 2015, the Library received restricted donations and grants from entities for the Dolly Parton Imagination Library program. These funds were incorrectly rolled into the general fund instead of being classified as special revenue funds. This caused general fund revenues related to contributions, gifts, and donations to be overstated by \$93,160, expenditures related to public services and programs to be overstated by \$64,963, and restricted fund balance to be overstated by \$28,197. The special revenue fund, in turn, was understated by these same amounts.
- In 2016, the Library received restricted donations and grants from entities for the Dolly Parton Imagination Library program. These funds were incorrectly rolled into the general fund instead of being classified as special revenue funds. This caused general fund revenues related to contributions, gifts, and donations to be overstated by \$81,322, expenditures related to public services and programs to be overstated by \$83,250 and restricted fund balance overstated by \$26,269. The special revenue fund, in turn, was understated by these same amounts.
- In 2016, General Fund transfers out were erroneously posted to the Capital Projects Fund's capital outlay disbursement line item, thus understating the Capital Projects ending fund balance and General Fund transfers out by \$125,000. General Fund ending balance and the Capital Projects fund's capital outlay expenditure lines were overstated by the same amount. Additionally, the transfer in of \$125,000 was recorded as miscellaneous receipts in the Capital Projects Fund instead of transfers in.
- In 2016, General Fund opening balance was overstated by \$458,494, Special Revenue Fund opening balance was understated by \$28,197, and Capital Projects Fund opening balance was understated by \$462,965. Additionally, General Fund disbursements were understated in total by \$32,669. Of that amount, disbursements in the public services and programs line item were understated by \$7,626; collection development and processing line item were understated by \$19,535; facilities operation and maintenance line item were understated by \$1,290; information services line item were understated by \$2,953; and business administration line item were understated by \$1,265.
- In 2016, Capital Projects Fund capital outlay disbursements of \$97,587 were erroneously reported as General Fund capital outlay disbursements, resulting in an overstatement in the Capital Project Fund overall fund balance, as well as a corresponding understatement in the overall General Fund balance.
- **Governmental Accounting Standards Board (GASB) Statement No. 54 par. 16 (GASB Codification 1800.176) and Auditor of State Bulletin 2011-004** state, in part, that an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount of no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance. General Fund subsequent year appropriations for 2015 exceeded estimated resources by \$294,408. These amounts should have been classified as assigned fund balance rather than unassigned fund balance in the General Fund.

**FINDING NUMBER 2016-001
(Continued)**

- **GASB 54 par. 24 (GASB Codification 1800.184)** and **Auditor of State Bulletin 2011-004** state, in part, that encumbered amounts for specific purposes for which amounts have not been previously restricted, committed, or assigned should not be classified as unassigned but, rather, should be included within committed or assigned fund balance, as appropriate. The Library understated General Fund assigned fund balance by not including all encumbered amounts as assigned fund balance. In 2015 and 2016, assigned fund balance relating to encumbrances was understated by \$7,354 and \$49,584, respectively.
- **GASB 54 par. 13 (GASB Codification 1800.173)** and **Auditor of State Bulletin 2011-004** state, in part, that amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. In 2015, the Library classified its Capital Projects Fund balance of \$462,965 as unassigned fund balance instead of assigned fund balance. These funds are neither restricted nor committed but are intended to be used for capital projects purposes. In 2016, the Capital Projects Fund balance of \$490,378 was erroneously reported as General Fund unassigned fund balance.
- **GASB 54 par. 8 (GASB Codification 1800.168)** and **Auditor of State Bulletin 2011-004** state, in part, that amounts that are restricted to specific purposes should be reported as restricted fund balance. Fund balance should be reported as restricted when constraints placed on the use of resources are externally imposed by credits (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. In 2016, General Fund restricted contributions of \$54,581 were reported as unassigned fund balance instead of restricted fund balance.

The Library has also corrected its accounting system for all of these items.

Policies and procedures should be developed and implemented to verify that all receipts and disbursements are correctly reported. The Library should also implement procedures to review Auditor of State Bulletin 2011-004 prior to completion of the financial statements to verify that all ending fund balances reported comply with its requirements.

Officials' Response:

We did not receive a response from Officials to this finding.



Dave Yost • Auditor of State

TROY-MIAMI COUNTY PUBLIC LIBRARY

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 4, 2018