



OHIO AUDITOR OF STATE
KEITH FABER



**LIMA PUBLIC LIBRARY
ALLEN COUNTY
DECEMBER 31, 2017 AND 2016**

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INDEPENDENT AUDITOR'S REPORT

Lima Public Library
Allen County
650 W. Market Street
Lima, Ohio 45801

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 the related notes of the Lima Public Library, Allen County, Ohio (the Library), as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 2 of the financial statements, the Library prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Library does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Unmodified Opinions* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

Miscellaneous receipts are reported at \$2,614 and \$2,377 for the years ended December 31, 2017 and 2016, respectively, which are 100 percent of Enterprise Fund receipts for the both years. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as miscellaneous receipts. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Additional Opinion Qualification

In our opinion, except for the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above present fairly, in all material respects, the cash balances and disbursements of the Enterprise Fund, and related notes of the Lima Public Library, Allen County as of December 31, 2017 and 2016 and for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements of the General, Special Revenue and Capital Projects funds, and related notes of the Lima Public Library, Allen County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2019, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

May 14, 2019

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LIMA PUBIC LIBRARY, ALLEN COUNTY

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Public Library	\$3,029,961			\$3,029,961
Intergovernmental		\$40,232		40,232
Patron Fines and Fees	40,902			40,902
Services Provided to Other Entities	28			28
Contributions, Gifts and Donations	3,601	72,356		75,957
Earnings on Investments	52,686			52,686
Miscellaneous	13,660			13,660
<i>Total Cash Receipts</i>	<u>3,140,838</u>	<u>112,588</u>		<u>3,253,426</u>
Cash Disbursements				
Current:				
Library Services:				
Public Services and Programs	2,191,485	102,896		2,294,381
Capital Outlay	36,511	2,581	306,480	345,572
<i>Total Cash Disbursements</i>	<u>2,227,996</u>	<u>105,477</u>	<u>306,480</u>	<u>2,639,953</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>912,842</u>	<u>7,111</u>	<u>(306,480)</u>	<u>613,473</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	4,421			4,421
Transfers In			315,000	315,000
Transfers Out	(315,000)			(315,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(310,579)</u>	<u>-</u>	<u>315,000</u>	<u>4,421</u>
<i>Net Change in Fund Cash Balances</i>	602,263	7,111	8,520	617,894
<i>Fund Cash Balances, January 1</i>	<u>4,660,636</u>	<u>311,693</u>	<u>5,631</u>	<u>4,977,960</u>
Fund Cash Balances, December 31				
Committed				
Restricted		318,804		318,804
Assigned	971,300		14,151	985,451
Unassigned	4,291,599			4,291,599
<i>Fund Cash Balances, December 31</i>	<u>\$5,262,899</u>	<u>\$318,804</u>	<u>\$14,151</u>	<u>\$5,595,854</u>

See accompanying notes to the financial statements

LIMA PUBLIC LIBRARY, ALLEN COUNTY

Statement Receipts, Disbursements and Change in Fund Balance (Cash Basis)
Enterprise Fund
For the Year Ended December 31, 2017

Operating Cash Receipts	
Miscellaneous	\$2,614
<i>Total Operating Cash Receipts</i>	<u>2,614</u>
Operating Cash Disbursements	
Supplies	1,593
Other	178
<i>Total Operating Cash Disbursements</i>	<u>1,771</u>
<i>Operating Income</i>	843
<i>Fund Cash Balance, January 1</i>	<u>4,323</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$5,166</u></u>

See accompanying notes to the financial statements

Lima Public Library
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Lima Public Library (the Library), Allen County, is a body politic and corporate organized under Ohio Revised Code Section 3375 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Lima City School District elects a seven-member Board of Trustees to govern the Library. The Library provides materials and services for the informational and recreational enrichment of the citizens of Allen County.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Library had the following significant Special Revenue Fund: Special Revenue Fund 201 accounts for grant monies and for the contributions, gifts and donations from the Lima Library Association to be use for Library programs.

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’s Capital Projects Fund accounts for disbursements pertaining to major building improvements, acquisition of property and replacement of furniture and fixtures.

Enterprise Fund These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Library’s Enterprise Fund accounts for and reports the sale of merchandise by the Library and its branch locations.

Lima Public Library
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Basis of Accounting

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

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

Budgetary Process

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

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

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

Money Market, Certificates of Deposit, CDARS and Checking Accounts are presented at their current value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

Lima Public Library
 Allen County
 Notes to the Financial Statements
 For the Year Ended December 31, 2017

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

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

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

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, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,010,000	\$3,145,259	\$135,259
Special Revenue	157,000	112,588	(44,412)
Capital Projects	645,000	315,000	(330,000)
Enterprise	3,000	2,614	(386)
Total	\$3,815,000	\$3,575,461	(\$239,539)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,410,800	\$2,542,996	\$867,804
Special Revenue	163,600	105,477	58,123
Capital Projects	620,000	306,480	313,520
Enterprise	4,300	1,771	2,529
Total	\$4,198,700	\$2,956,724	\$1,241,976

Lima Public Library
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – 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:

	2017
Demand deposits	<u>\$756,482</u>
Certificates of deposit	255,288
Other time deposits (CDARS)	<u>4,589,250</u>
Total deposits	<u>5,601,020</u>

Deposits

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

Note 5 – Grants in Aid and Taxes

Grants in Aid

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

Note 6 – Interfund Activity

Advances

As of December 31, 2017 the Library did not advance any funds.

Transfers

During 2016 the Library transferred \$315,000 from the General Fund to the Capital Projects Fund to pay for capital improvements.

Note 7 – Risk Management

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 (if material).

Lima Public Library
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 Plan

Ohio Public Employees Retirement System

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

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

Note 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, and 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 1 percent during calendar year 2017.

Note 11 – Debt

Leases

The Library leases equipment under non-cancelable leases. The Library disbursed \$17,371 to pay lease costs for the year ended December 31, 2017.

Note 12 – Subsequent Event

Elida Branch

On April 12, 2018, bids were opened for the new Elida Branch Library building with Kuhlman Builders from Ottawa being awarded the contract at a price of \$587,000. The Elida Branch opened on February 4, 2019 with a total cost of \$948,034.42. The total cost of the project was paid out of the Capital Projects Fund.

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LIMA PUBIC LIBRARY, ALLEN COUNTY

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Public Library	\$3,016,559			\$3,016,559
Patron Fines and Fees	41,185			41,185
Services Provided to Other Entities	322			322
Contributions, Gifts and Donations	1,866	\$38,106		39,972
Earnings on Investments	21,512			21,512
Miscellaneous	7,818			7,818
<i>Total Cash Receipts</i>	<u>3,089,262</u>	<u>38,106</u>		<u>3,127,368</u>
Cash Disbursements				
Current:				
Library Services:				
Public Services and Programs	2,121,427	31,965		2,153,392
Capital Outlay	14,602	970	143,845	159,417
<i>Total Cash Disbursements</i>	<u>2,136,029</u>	<u>32,935</u>	<u>143,845</u>	<u>2,312,809</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>953,233</u>	<u>5,171</u>	<u>(143,845)</u>	<u>814,559</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	12,742			12,742
Transfers In			100,000	100,000
Transfers Out	(100,000)			(100,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(87,258)</u>	<u>-</u>	<u>100,000</u>	<u>12,742</u>
<i>Net Change in Fund Cash Balances</i>	865,975	5,171	(43,845)	827,301
<i>Fund Cash Balances, January 1</i>	<u>3,794,661</u>	<u>306,522</u>	<u>49,476</u>	<u>4,150,659</u>
Fund Cash Balances, December 31				
Committed				0
Restricted		311,693		311,693
Assigned	400,800		5,631	406,431
Unassigned	4,259,836			4,259,836
<i>Fund Cash Balances, December 31</i>	<u>\$4,660,636</u>	<u>\$311,693</u>	<u>\$5,631</u>	<u>\$4,977,960</u>

See accompanying notes to the financial statements

LIMA PUBLIC LIBRARY, ALLEN COUNTY

Statement Receipts, Disbursements and Change in Fund Balance (Cash Basis)

Enterprise Fund

For the Year Ended December 31, 2016

Operating Cash Receipts	
Miscellaneous	\$2,377
<i>Total Operating Cash Receipts</i>	<u>2,377</u>
Operating Cash Disbursements	
Supplies	2,501
Other	132
<i>Total Operating Cash Disbursements</i>	<u>2,633</u>
<i>Operating (Loss)</i>	(256)
<i>Fund Cash Balance, January 1</i>	<u>4,579</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$4,323</u></u>

See accompanying notes to the financial statements

Lima Public Library
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The Lima Public Library (the Library), Allen County, is a body politic and corporate organized under Ohio Revised Code Section 3375 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Lima City School District elects a seven-member Board of Trustees to govern the Library. The Library provides materials and services for the informational and recreational enrichment of the citizens of Allen County.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

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

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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: Special Revenue Fund 201 accounts for grant monies and for the contributions, gifts and donations from the Lima Library Association to be use for Library programs.

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’s Capital Projects Fund accounts for disbursements pertaining to major building improvements, acquisition of property and replacement of furniture and fixtures.

Enterprise Fund These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Library’s Enterprise Fund accounts for and reports the sale of merchandise by the Library and its branch locations.

Lima Public Library
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Basis of Accounting

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

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

Budgetary Process

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

A summary of 2016 budgetary activity appears in Note 3.

Deposits and Investments

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, Certificates of Deposit, CDARS and Checking Accounts are presented at their current value.

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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

Lima Public Library
 Allen County
 Notes to the Financial Statements
 For the Year Ended December 31, 2016

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

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

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

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

The Library applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,159,700	\$3,102,004	(\$57,696)
Special Revenue	33,000	38,106	5,106
Capital Projects	347,000	100,000	(247,000)
Enterprise	2,150	2,377	227
Total	\$3,541,850	\$3,242,487	(\$299,363)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,915,050	\$2,236,029	\$679,021
Special Revenue	36,000	32,935	3,065
Capital Projects	350,000	143,845	206,155
Enterprise	2,650	2,633	17
Total	\$3,303,700	\$2,415,442	\$888,258

Lima Public Library
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – 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	\$2,215,935
Certificates of deposit	250,894
Other time deposits (CDARS)	<u>2,515,454</u>
Total deposits	<u>4,982,283</u>

Deposits

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

Note 5 – Grants in Aid and Taxes

Grants in Aid

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

Note 6 – Interfund Activity

Advances

As of December 31, 2016 the Library did not advance any funds.

Transfers

During 2016 the Library transferred \$100,000 from the General Fund to the Capital Projects Fund to pay for capital improvements.

Note 7 – Risk Management

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 (if material).

Lima Public Library
Allen County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

Note 9 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Note 10 – 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, and deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits.

Note 11 – Debt

Leases

The Library leases equipment under non-cancelable leases. The Library disbursed \$13,806 to pay lease costs for the year ended December 31, 2016.

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OHIO AUDITOR OF STATE KEITH FABER



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

Lima Public Library
Allen County
650 W. Market Street
Lima, Ohio 45801

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 Lima Public Library, Allen County, (the Library) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated May 14, 2019, 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. We qualified our opinion on the Enterprise Fund due to the lack of sufficient appropriate audit evidence supporting the amounts recorded as miscellaneous receipts.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 and 2017-002 to be material weaknesses.

Compliance and Other Matters

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

Library's Response to Findings

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

May 14, 2019

**LIMA PUBLIC LIBRARY
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Material Weakness / Enterprise Fund Receipts

Documentation should be maintained to support the completeness, accuracy, cut-off, and classification of receipts from the sale of merchandise. The Library charged patrons for the sale of merchandise and recorded these receipts in the Enterprise Fund. During 2017 and 2016 the following weaknesses were identified from the sale of merchandise which resulted in the qualification of 100% of the receipts in the Enterprise Fund:

- A) An inventory of merchandise was not maintained;
- B) When the merchandise was sold the amount of the sale was recorded on a sheet of paper, however there was no indication as to the type of merchandise sold, sale quantity, selling price, or the person making the sale; and
- C) The sale price of the merchandise was not approved by the Board.

The lack of accountability over the sale of merchandise increased the risk of errors and/or irregularities and resulted in an opinion qualification on the receipts recorded in the Enterprise Fund.

Procedures and/or controls such as but not limited to the following should be implemented by the Library: 1) the selling price of each item of merchandise should be approved by either the Board or a Board designee who has an understanding of the pricing needed to recoup the cost and who is independent of the ordering, selling, and record keeping of the merchandise, 2) an inventory of all merchandise should be maintained with performing a periodic physical count to reconcile to what was purchased and sold, 3) records should be maintained to support the type of merchandise sold, the quantity sold, the seller, and 4) the receipts should be turned in to the Chief Fiscal Officer or taken to the bank daily. The Board should monitor the sale of merchandise to ensure that the procedures and/or controls are being performed.

OFFICIALS' RESPONSE: Due to the minimum amount of monies that pass thru the Enterprise Fund annually the Lima public Library will discontinue use of this fund in 2019.

FINDING NUMBER 2017-002

Material Weakness – Accuracy of Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

**FINDING NUMBER 2017-002
(Continued)**

The following errors were identified in the accounting records and/or financial statements:

- A) The Memorial, Gift, Donation Fund 6001 classified in 2015 as a Special Revenue Fund was classified as an Internal Service Fund in 2016 and 2017. Governmental Accounting Standards Board (GASB) Statement 34, paragraph 68 (GASB Codification 1300.110) defines an internal service fund as a fund used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. The purpose of Fund 6001 does not meet the definition of an internal service fund. As a result, opening balances of \$304,027 and \$302,673, receipts in the amount of \$5,572 and \$7,808, disbursements in the amount of \$6,993 and \$6,454, and ending balances of \$302,606 and \$304,027, in 2017 and 2016, respectively had to be reclassified from an Internal Service Fund Type to a Special Revenue Fund Type. As part of this fund reclassification, receipts in the amount of \$4,325 and \$7,658, in 2017 and 2016, respectively, were reclassified from miscellaneous receipts to contributions, gifts, and donations;
- B) Enterprise Fund receipts in the amount of \$2,614 in 2017 and \$2,377 in 2016, from the sale of merchandise were recorded as non-operating instead of operating receipts. Governmental Accounting Standards Board (GASB) Codification 2450.114 defines cash inflows from operating activities to include the sales of goods;
- C) A Top Early Learning Challenge Federal grant in the amount of \$34,479 was received in 2017 from the Educational Service Center of Central Ohio. This grant was recorded as Gifts and Donations instead of Intergovernmental Receipts in the Special Revenue Grant Fund;
- D) At December 31, 2017 and 2016, General Fund subsequent year appropriations in excess of estimated receipts, in the amount of \$971,300 and \$400,800, respectively, were classified as unassigned fund balance instead of assigned fund balance. GASB Statement No. 54 paragraph 16 (GASB Codification 1800.176) - Fund Balance Reporting and Governmental Fund Type Definitions, states an appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance; and
- E) The Capital Projects Fund balance in the amount of \$14,151 at December 31, 2017 and \$5,361 at December 31, 2016, which consisted of transfers for capital improvements. was classified as committed instead of assigned. GASB Statement No. 54 paragraph 10 (GASB Codification 1800.170) - Fund Balance Reporting and Governmental Fund Type Definitions), states that amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority should be reported as committed fund balance. GASB Statement No. 54 paragraph 13 (GASB Codification 1800.173), states 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 addition, the notes to the financial statements required some revision, such as correcting how individuals are added to the Board, adding the Enterprise Fund to the budgetary note and adding disclosure on transfers, to be consistent to the accounting records and/or financial statements.

The accompanying financial statements and footnotes have been adjusted to correct these errors. The accounting records were adjusted to correct the fund classification errors.

FINDING NUMBER 2017-002
(Continued)

Financial reporting errors and omissions may impact the user's understanding of the financial operations, the ability to make sound financial decisions, and result in the material misstatement of the financial statements and notes to the financial statements.

The errors identified should be reviewed by the Chief Fiscal Officer to help prevent similar errors in subsequent years. In addition, governmental accounting resources such as those found on the Auditor of State website at <https://ohioauditor.gov/> should be reviewed for guidance in recording financial activity. The Trustees should periodically review the accounting records and detailed monthly financial reports, along with reviewing the year-end financial statements and notes to the financial statements, to help identify and correct errors in a timely manner.

OFFICIALS' RESPONSE: The corrections listed above will be corrected. The transfer of the 6001 Memorial Gift & Donation fund (Internal Service Fund) will be transferred to 2002 (Special Revenue fund) for 2019 Information for the Auditor of State UAN office informed me that no transfers prior to 2019 could be made.

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OHIO AUDITOR OF STATE KEITH FABER



LIMA PUBLIC LIBRARY

ALLEN 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
JUNE 13, 2019