



**FAIRFIELD COUNTY DISTRICT LIBRARY
FAIRFIELD COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Fairfield County District Library
Fairfield County
219 N. Broad Street
Lancaster, Ohio 43130

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 Fairfield County District Library, Fairfield County, Ohio (the Library) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Though the Library does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Additional Opinion Qualification and Unmodified Opinions* paragraphs 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, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

Cash disbursements are reported at \$9,468 and \$6,969 for the years ended December 31, 2018 and 2017, respectively for the Special Revenue Fund. We were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as expenditures made with restricted versus unrestricted donations to properly present expenditures, ending fund cash balances for 2018 and 2017, and beginning fund cash balances for 2018 in the Special Revenue Fund. 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, receipts and disbursements of the Special Revenue Fund, and related notes of the Fairfield County District Library, Fairfield County as of December 31, 2018 and 2017, 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, Capital Projects and Permanent funds and related notes of the Fairfield County District Library, Fairfield County as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 10 to the 2017 financial statements, the Library restated beginning fund cash balances at January 1, 2017 for the General, Permanent, and Fiduciary fund types to present the funds in accordance with Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 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

August 21, 2019

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Fairfield County District Library
Fairfield County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	1,140,208	-	-	-	1,140,208
Public Library	2,449,040	-	-	-	2,449,040
Intergovernmental	51,004	-	-	-	51,004
Patron Fines and Fees	58,335	-	-	-	58,335
Contributions, Gifts and Donations	6,892	743	-	-	7,635
Earnings on Investments	45,473	-	-	343	45,816
Miscellaneous	21,371	-	-	-	21,371
<i>Total Cash Receipts</i>	<u>3,772,323</u>	<u>743</u>	<u>-</u>	<u>343</u>	<u>3,773,409</u>
Cash Disbursements					
Current:					
Library Services:					
Public Services and Programs	1,486,962	-	-	-	1,486,962
Collection Development and Processing	947,687	7,223	-	-	954,910
Support Services:					
Facilities Operation and Maintenance	554,465	2,245	-	-	556,710
Information Services	383,667	-	-	-	383,667
Business Administration	472,967	-	-	-	472,967
Capital Outlay	-	-	300,493	-	300,493
<i>Total Cash Disbursements</i>	<u>3,845,748</u>	<u>9,468</u>	<u>300,493</u>	<u>-</u>	<u>4,155,709</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(73,425)</u>	<u>(8,725)</u>	<u>(300,493)</u>	<u>343</u>	<u>(382,300)</u>
Other Financing Receipts (Disbursements)					
Transfers In	-	-	350,000	-	350,000
Transfers Out	(350,000)	-	-	-	(350,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(350,000)</u>	<u>-</u>	<u>350,000</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	<u>(423,425)</u>	<u>(8,725)</u>	<u>49,507</u>	<u>343</u>	<u>(382,300)</u>
<i>Fund Cash Balances, January 1</i>	<u>2,446,223</u>	<u>17,645</u>	<u>60,883</u>	<u>50,290</u>	<u>2,575,041</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	52,024	52,024
Restricted	-	8,920	-	-	8,920
Committed	-	-	110,390	-	110,390
Assigned	886,605	-	-	-	886,605
Unassigned	1,136,193	-	-	(1,391)	1,134,802
<i>Fund Cash Balances, December 31</i>	<u>2,022,798</u>	<u>8,920</u>	<u>110,390</u>	<u>50,633</u>	<u>2,192,741</u>

See accompanying notes to the financial statements

Fairfield County District Library
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Fairfield County District Library (the Library), Fairfield County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library has its own seven member Board of Trustees, four of which are appointed by the Board of County Commissioners and three by the Judges of the Court of Common Pleas. Appointments are for seven-year terms and members serve without compensation. The Library provides the community with various educational and literary resources.

Joint Ventures

The Library is a member of the Central Library Consortium (the CLC), joint venture. Note 10 to the financial statements provides additional information for this entity.

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

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.

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:

Gifts, Donations & Contributions Fund- This fund accounts for receipts restricted by donors for specific purposes.

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:

Kiosk Fund- This fund’s proceeds are committed for construction of a new kiosk at the Library.

Fairfield County District Library
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Permanent Funds- *These* funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Library had the following significant Permanent funds:

- Janet & Hugh Gilmore Memorial Account- interest earned is to be used to purchase materials for the Fairfield County District Library.
- Charmaine Fritz Memorial Account- interest earned is to be used to support the Baltimore Branch Library.
- Gladys Beougher Memorial Account- interest earned is to be used to purchase children's books.
- George Martin Memorial Account- interest earned is to be used to purchase books for the Library.

Basis of Accounting

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

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

Budgetary Process

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

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

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

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

Fairfield County District Library
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

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. Unpaid leave is not reflected as a liability under the Library's cash basis of accounting.

Fund Balance

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

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

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

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

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

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

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

Fairfield County District Library
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,661,876	\$3,772,323	\$110,447
Special Revenue	2,000	743	(1,257)
Capital Projects	350,000	350,000	0
Permanent	0	343	343
Total	\$4,013,876	\$4,123,409	\$109,533

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,729,836	\$4,468,429	\$261,407
Special Revenue	12,133	9,573	2,560
Capital Projects	395,000	380,423	14,577
Permanent	0	0	0
Total	\$5,136,969	\$4,858,425	\$278,544

Note 4 – Deposits and Investments

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

Demand deposits	\$82,015
Investments:	
Mutual Funds	\$36,538
STAR Ohio	2,074,188
Total Investments	\$2,110,726
Total Deposits & Investments	\$2,192,741

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Investments

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

Fairfield County District Library
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 5 – Grants in Aid and Taxes

Grants in Aid

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

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental. 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.

Note 6 – 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.

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

Fairfield County District Library
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Library contributed an amount equaling 14%, of participants' gross salaries. The Library has paid all contributions required through December 31, 2018.

Note 8 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, 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 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 9 – Transfers

During 2018, transfers were made from the General fund to the Kiosk fund in the amount of \$350,000 to finance the kiosk project.

Note 10 – Joint Ventures

The Library is a member of the Central Library Consortium (the "CLC"). The CLC is a separate entity established as a joint venture to provide reduced costs to the individual member libraries through collective efforts and resource sharing. The CLC undertakes projects that strive to complement the existing resources available through the State Library regional system.

The CLC, which commenced on June 13, 1988, has fourteen members consisting of Alexandria Public Library, Bexley Public Library, Columbus Metropolitan Library, Fairfield County District Library, Grandview Heights Public Library, London Public Library, Marysville Public Library, Pickaway County District Public Library, Pickerington Public Library, Plain City Public Library, Southwest Public Libraries, Upper Arlington Public Library, Wagnalls Memorial Library and Worthington Libraries. The original agreement has been modified to extend membership to additional libraries. The CLC is governed by a council consisting of one appointed representative by each member library. The council elects a president, vice president and a secretary. The CLC's financial operations are accounted for in the agency fund of the Grandview Heights Public Library. Financial information and statements can be obtained from Grandview Heights Public Library, Franklin County, 1685 W. 1st Avenue, Columbus, OH 43212.

Members make payments to the CLC in amounts established in the agreements for individual projects undertaken by the CLC. The Library paid \$130,407.26 to the CLC in 2018. The Library has no explicit and measureable equity interest in the venture. The Library's only ongoing financial responsibility to the CLC is for participating projects that have been entered into by the Library.

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

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	1,123,991	-	-	-	\$1,123,991
Public Library	2,488,586	-	-	-	2,488,586
Intergovernmental	52,873	-	-	-	52,873
Patron Fines and Fees	81,958	-	-	-	81,958
Contributions, Gifts and Donations	6,316	6,231	-	-	12,547
Earnings on Investments	26,114	-	-	76	26,190
Miscellaneous	13,967	-	-	-	13,967
<i>Total Cash Receipts</i>	<u>3,793,805</u>	<u>6,231</u>	<u>-</u>	<u>76</u>	<u>3,800,112</u>
Cash Disbursements					
Current:					
Library Services:					
Public Services and Programs	1,715,391	298	-	-	1,715,689
Collection Development and Processing	648,393	768	-	-	649,161
Support Services:					
Facilities Operation and Maintenance	401,050	753	-	-	401,803
Information Services	306,888	-	-	-	306,888
Business Administration	492,388	5,150	-	-	497,538
Capital Outlay	121,529	-	-	-	121,529
<i>Total Cash Disbursements</i>	<u>3,685,639</u>	<u>6,969</u>	<u>-</u>	<u>-</u>	<u>3,692,608</u>
<i>Net Change in Fund Cash Balances</i>	108,166	(738)	-	76	107,504
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>2,338,057</u>	<u>18,383</u>	<u>60,883</u>	<u>50,214</u>	<u>2,467,537</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	52,024	52,024
Restricted	-	17,645	-	-	17,645
Committed	-	-	60,883	-	60,883
Assigned	1,112,910	-	-	-	1,112,910
Unassigned	1,333,313	-	-	(1,734)	1,331,579
<i>Fund Cash Balances, December 31</i>	<u>\$2,446,223</u>	<u>\$17,645</u>	<u>\$60,883</u>	<u>50,290</u>	<u>\$2,575,041</u>

See accompanying notes to the financial statements

Fairfield County District Library
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Description of the Library and Reporting Entity

The Fairfield County District Library (the Library), was organized as a county district library in 1960 under the laws of the State of Ohio. The Library has its own seven member Board of Trustees, four of which are appointed by the Board of County Commissioners and three by the Judges of the Court 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 administration of the day-to-day operations of the Library being the responsibility of the Director and the financial accountability being that of the Fiscal Officer. The Library provides the community with various educational and literary resources.

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

Reporting Entity

The Library is fiscally independent of Fairfield County, although the County serves 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 the discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Fairfield 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 Fairfield County.

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Library is a member of the Central Library Consortium (the “CLC”), a joint venture to provide reduced costs to the individual member libraries through collective efforts and resource sharing. The CLC is further discussed in Note 9.

Note 2 – Summary of Significant Accounting Policies

A. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of the 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 presentation 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)

Fairfield County District Library
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

B. 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 Library's funds are all classified as governmental.

Governmental Funds

The Library uses fund accounting to segregate cash and investments that are restricted to use. The Library classifies its funds into the following types:

General Fund The general fund is the general operating fund. It is used to account for and report 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 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:

Gifts, Donations & Contributions Fund- This fund accounts for receipts restricted by donors for specific purposes.

Capital Project Funds This fund accounts for financial resources that are restricted, committed, or assigned for major capital and technology improvements.

Permanent Funds- These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Library had the following significant Permanent funds:

- Janet & Hugh Gilmore Memorial Account- interest earned is to be used to purchase materials for the Fairfield County District Library.
- Charmaine Fritz Memorial Account- interest earned is to be used to support the Baltimore Branch Library.
- Gladys Beougher Memorial Account- interest earned is to be used to purchase children's books.
- George Martin Memorial Account- interest earned is to be used to purchase books for the Library.

Fairfield County District Library
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Budgetary Process

All funds are legally required to be appropriated. The appropriations resolution is the Library Board of Trustees' authorization to spend resources and set annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established at the fund and major category of the object code level for the General fund and at the fund level for all other funds. Budgetary modifications at the legal level of control may only be made by resolution of by the Board. The Fiscal Officer maintains budgetary information at the fund and object level and has the authority to transfer appropriations at the major category and object level for the General fund and at the fund level for all other funds without resolution by the Board.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Board may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations should not exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year fiscal year.

A summary of 2017 budgetary activity appears in Note 8.

D. 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.

E. Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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.

Fairfield County District Library
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Committed The committed fund balances classification includes amounts that can be used only for specific purposes imposed by formal action (resolution) of the Board of Library Trustees. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. 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 Amounts in the Assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. In governmental funds other than the general fund, assigned fund balances represent the remaining amount that is not 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.

F. 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.

Note 3 – 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.

Fairfield County District Library
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Grants in Aid and Taxes (Continued)

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction amounts the State pays as Intergovernmental. 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.

Note 4 – Deposits and Investments

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

	<u>2017</u>
Demand deposits	\$89,572
Investments:	
Mutual Funds	\$36,251
STAR Ohio	<u>2,449,218</u>
Total Investments	2,485,469
Total Deposits & Investments	<u>\$2,575,041</u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Investments

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

Fairfield County District Library
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 5 – Risk Management

Commercial Insurance

The Library has obtained commercial insurance for the following risks:

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

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. The system administers and pays all claims.

Note 6 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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 7- Postemployment Benefits

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

Note 8 – 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	\$3,803,103	\$3,793,805	(\$9,298)
Special Revenue	3,000	6,231	3,231
Capital Projects	0	0	0
Permanent	1,000	76	(924)
Total	\$3,807,103	\$3,800,112	(\$6,991)

Fairfield County District Library
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 – Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,475,380	\$4,064,925	\$410,455
Special Revenue	17,920	10,102	7,818
Capital Projects	25,000	0	25,000
Permanent	1,000	0	1,000
Total	\$4,519,300	\$4,075,027	\$444,273

Note 9 – Joint Ventures

The Library is a member of the Central Library Consortium (the “CLC”). The CLC is a separate entity established as a joint venture to provide reduced costs to the individual member libraries through collective efforts and resource sharing. The CLC undertakes projects that strive to complement the existing resources available through the State Library regional system.

The CLC, which commenced on June 13, 1988, has fourteen members consisting of Alexandria Public Library, Bexley Public Library, Columbus Metropolitan Library, Fairfield County District Library, Grandview Heights Public Library, London Public Library, Marysville Public Library, Pickaway County District Public Library, Pickerington Public Library, Plain City Public Library, Southwest Public Libraries, Upper Arlington Public Library, Wagnalls Memorial Library and Worthington Libraries. The original agreement has been modified to extend membership to additional libraries. The CLC is governed by a council consisting of one appointed representative by each member library. The council elects a president, vice president and a secretary. The CLC’s financial operations are accounted for in the agency fund of the Grandview Heights Public Library. Financial information and statements can be obtained from Grandview Heights Public Library, Franklin County, 1685 W. 1st Avenue, Columbus, OH 43212.

Members make payments to the CLC in amounts established in the agreements for individual projects undertaken by the CLC. The Library paid \$123,522.28 to the CLC in 2017. The Library has no explicit and measureable equity interest in the venture. The Library’s only ongoing financial responsibility to the CLC is for participating projects that have been entered into by the Library.

Fairfield County District Library
Fairfield County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 10– Restatement

Fund balances were restated to show restricted trust funds held in benefit for the Library as permanent funds and unrestricted trust funds within the general fund rather than as a fiduciary funds.

	<u>General</u>	<u>Permanent Funds</u>	<u>Fiduciary Funds</u>
Fund Balance December 31, 2016	\$2,326,526	\$0	\$65,203
Unrecorded negative interest	(206)	(1,523)	(1,729)
Unrestricted Trust fund balance	11,737	0	(11,737)
Restricted Trust fund balances	<u>0</u>	<u>51,737</u>	<u>(51,737)</u>
Restated Fund Balance at January 1, 2017	<u>\$2,338,057</u>	<u>\$50,214</u>	\$0



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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**

Fairfield County District Library
Fairfield County
219 N. Broad Street
Lancaster, Ohio 43130

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 Fairfield County District Library, Fairfield County, (the Library) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated August 21, 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 Special Revenue Fund because we were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as expenditures made with restricted versus unrestricted donations to properly present expenditures, ending fund cash balances for 2018 and 2017, and beginning fund cash balances for 2018. We also noted the Library restated beginning fund cash balances at January 1, 2017 for the General, Permanent and Fiduciary fund types to present the funds in accordance with Government Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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 2018-001 and 2018-002 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

August 21, 2019

**FAIRFIELD COUNTY DISTRICT LIBRARY
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

Finding 2018-001

Accurate Financial Reporting - Material Weakness

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.

We applied the following material adjustments to the Library's December 31, 2018 and 2017 financial statements, and accounting ledgers, where applicable, as the Library's internal controls were not operating effectively to identify the following adjustments:

- Reclassify the Capital Projects Fund fund balance from restricted to committed in the amount of \$110,390 for 2018 and from unassigned to committed in the amount of \$60,883 for 2017.
- Reclassify the General Fund fund balance from unassigned to assigned for subsequent year's appropriations in the amount of \$613,924 and \$733,624 for 2018 and 2017, respectively.
- Reclassify the Permanent Fund fund balance from unassigned to nonexpendable in the amount of \$52,024 for 2018 and 2017.
- Restate beginning fund balances to reclassify the Permanent Trust Fund activity from Private Purpose Trust to Permanent fund type in the amount of \$50,214, and to the General Fund in the amount of \$11,531 for 2017.
- To record Permanent Fund earnings on investments in the amount of \$343 and \$76, for 2018 and 2017, respectively, and record General Fund earnings on investments in the amount of \$139 and \$32, for 2018 and 2017, respectively.

Misclassifications of year-end fund balances, unrecorded activity, and misclassification of revenues/expenditures decrease the reliability of the financial statements. Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

We recommend the Library revisit its policies and procedures to enhance controls over financial reporting to help ensure the information accurately reflects the activity of the Library, thereby increasing the reliability of the financial data throughout the year.

Official's Response:

The library Fiscal Officer has worked with the Auditor's office to better understand the designations of restricted versus committed funds and Private Purpose Trust vs. Permanent Fund. We understand the library may only spend the interest earned on the original balances of the nonexpendable funds. This information will guide account classifications going forward.

**FAIRFIELD COUNTY DISTRICT LIBRARY
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017
(Continued)**

Finding 2018-002

Use of Restricted Donations - Material Weakness

Gifts, donations and contributions are accepted by the Board of Library Trustees at regular board meetings. Any restrictions provided by the donor are documented in the minutes of the meeting. The Library has established a special revenue fund entitled Gifts, Donations and Contributions fund for the purpose of accounting for receipts restricted by donors for specific purposes.

During the audit period, 100% of monetary gifts, donations and contributions were recorded in the special revenue fund despite if the receipt was restricted or not. The Library did not establish procedures to track restricted donations to verify the monies were spent for the specified purposes. Instead, unrestricted and restricted donations were commingled and spent as desired. Voucher support maintained for expenditures made from the special revenue fund were not detailed enough to determine if the expenses were paid with a restricted donation. Therefore, we were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as expenditures made with restricted versus unrestricted donations to properly present expenditures, ending fund cash balances for 2018 and 2017, and beginning fund cash balances for 2018 in the Special Revenue Fund. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We were able to identify unrestricted receipts in the Gifts, Donations and Contributions Special Revenue fund of \$6,892 in 2018 and \$6,316 in 2017, which should have been posted to the General Fund. An adjustment has been applied to the financial statements and accounting ledgers to show these revenues in the correct fund and as unrestricted.

By not maintaining the required supporting documentation for the use of donations, the Library may use donations for unallowed purposes which could result in a decline in donations during future fiscal years.

The Library should establish procedures to track the use of restricted donations to help ensure such donations are spent in accordance with the donor's restrictions and are properly accounted for within the Library's financial records.

Official's Response: Before the 2019 audit all monies received as a donation were deposited into the SRF and spent from the SRF by the expense code for the purchase. We did not look at donations as restricted or unrestricted in the way the auditors look at the two categories.

The auditors were not able to identify restricted vs. unrestricted in our purchase orders because we treated all donations received as a restriction by spending within SRF expense accounts. Donations received into the SRF were not spent from the general revenue fund.

If a donation was received and the donor listed what they wanted the funds to be use for, then it was spent specifically for that reason using the SRF account associated for that purpose.

After working with the audit team, we now recognize the SRF is only for restricted donations. The library now has a system in place to track restricted donations. Moving forward we will receive only restricted donations into the SRF and will have a purchase order to show the donation was used according to the donor's intentions. All other donations, with no restrictions, will be received into the General Fund.

OHIO AUDITOR OF STATE KEITH FABER



FAIRFIELD COUNTY DISTRICT LIBRARY

FAIRFIELD 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
OCTOBER 8, 2019**