



Dave Yost • Auditor of State

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Ashtabula County District Library
Ashtabula County
335 W 44th Street
Ashtabula, Ohio 44004

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 Ashtabula County District Library, Ashtabula County, Ohio (the Library) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2016 and 2015, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2018, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

May 16, 2018

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

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

	General	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$1,077,693	\$0	\$0	\$0	\$1,077,693
Public Library	815,621	480,673			1,296,294
Intergovernmental	42,739				42,739
Patron Fines and Fees	15,879				15,879
Contributions, Gifts and Donations	8,793		86,625		95,418
Earnings on Investments	32,215		30,038	357	62,610
Miscellaneous	6,687		603		7,290
<i>Total Cash Receipts</i>	<u>1,999,627</u>	<u>480,673</u>	<u>117,266</u>	<u>357</u>	<u>2,597,923</u>
Cash Disbursements					
Current:					
Library Services	1,833,911				1,833,911
Capital Outlay			3,913,127		3,913,127
Debt Service:					
Principal Retirement	5,640	372,093			377,733
Interest and Fiscal Charges		103,629			103,629
<i>Total Cash Disbursements</i>	<u>1,839,551</u>	<u>475,722</u>	<u>3,913,127</u>	<u>0</u>	<u>6,228,400</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>160,076</u>	<u>4,951</u>	<u>(3,795,861)</u>	<u>357</u>	<u>(3,630,477)</u>
<i>Net Change in Fund Cash Balances</i>	160,076	4,951	(3,795,861)	357	(3,630,477)
<i>Fund Cash Balances, January 1</i>	<u>1,675,514</u>	<u>47,621</u>	<u>4,085,364</u>	<u>16,315</u>	<u>5,824,814</u>
Fund Cash Balances, December 31					
Nonspendable				10,000	10,000
Restricted		52,572	289,503	6,672	348,747
Assigned	1,658				1,658
Unassigned (Deficit)	<u>1,833,932</u>				<u>1,833,932</u>
<i>Fund Cash Balances, December 31</i>	<u>\$1,835,590</u>	<u>\$52,572</u>	<u>\$289,503</u>	<u>\$16,672</u>	<u>\$2,194,337</u>

The notes to the financial statements are an integral part of this statement.

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Fiduciary Fund Type
	Private Purpose Trust
Operating Cash Receipts	
Miscellaneous	\$2
Earnings on Investments	63
<i>Total Operating Cash Receipts</i>	65
Operating Cash Disbursements	
<i>Total Operating Cash Disbursements</i>	138
<i>Operating Income (Loss)</i>	(73)
<i>Fund Cash Balances, January 1</i>	6,048
<i>Fund Cash Balances, December 31</i>	\$5,975

The notes to the financial statements are an integral part of this statement.

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

The Ashtabula County District Library (the Library), Ashtabula 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. Ashtabula County Commissioners appoint four (4) members of the Board of Trustees and Ashtabula County Common Pleas Judges appoint three (3) members of the Board of Trustees to govern the Library. 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.

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 and fiduciary 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.

Debt Service Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Library had the following significant Debt Service Funds

Debt Service Fund (3001) this fund is maintained for the purpose of servicing the facilities construction debt with Andover Bank. A portion of each monthly PLF distribution is "deposited" in Fund 3001, and then dispersed to Andover Bank on a semi-annual basis.

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

Childs Fund (4001) – This fund has had no activity in 2016, and it will be closed after the 2015-16 audit is completed.

Asset Preservation Fund (4006) – This fund is maintained to support previous capital project expenditures, such as the Bookmobile.

Development Fund (4007) - This fund is used to account for the expenditure of capital funds,

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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 fund:

Permanent – Lyons Bequest (4501) – This fund was established by a \$10,000 bequest from the estate of L. Lyons in 1933. The income from the fund is to be used to purchase reference materials.

Private-Purpose Trust Funds

Private-purpose trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Library's own programs.

The Library's private purpose trust funds are for the benefit of certain individuals, a non-profit organization which are not available to support the Library's own programs.

Private-Purpose Trust – Griffith 1 (9751) – This fund was established by the family of Sharon Griffith for the purpose of purchasing Spanish-language juvenile materials for the Geneva Library.

Private-Purpose Trust – Griffith 2 (9752) – This fund was established by the family of Sharon Griffith for the purpose of purchasing Spanish-language materials for the Geneva 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 that is, disbursements and encumbrances 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.

The Library's investments were limited to certificates of deposit and instruments of government sponsored mortgage-backed securities. Except for nonparticipating investments contracts, investments are reported at Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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.

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.

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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	\$2,157,609	\$1,999,627	(\$157,982)
Debt Service	494,351	480,673	(13,678)
Capital Projects	146,000	117,266	(28,734)
Permanent	444	357	(87)
Private Purpose Trust	82	65	(17)
Total	2,798,486	2,597,988	(200,498)

2016 Budgeted vs. Actual Budgetary Basis Expenditures **			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,941,794	\$1,839,551	\$102,243
Debt Service	476,723	475,722	1,001
Capital Projects	5,016,500	3,913,127	1,103,373
Permanent	6,672	0	6,672
Private Purpose Trust	5,288	138	5,150
Total	\$7,446,977	\$6,228,538	\$1,218,439

** includes carry over and current year encumbrances

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:

	2016
Demand deposits	\$87,286
Certificates of deposit	1,318,000
Total deposits	1,405,286
Government Sponsored Enterprises securities	261,000
STAR Ohio	534,026
Total investments	795,026
Total deposits and investments	\$2,200,312

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

Investments: The Library's investments were limited to Star Ohio and instruments of Government Sponsored Enterprises securities. The financial institution maintains records identifying the Library as owner of these securities.

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

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

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

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

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.

The Library is uninsured for the following risks:

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

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 - 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, 2016.

Note 8 - 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Note	\$3,616,999	2.625%

The Library issued in December 2014 a 15 year general obligation note to finance the expansion and renovation of the Ashtabula Library and the renovation of the Geneva Library. The Library pledged 30% of the annual Public Library Funding ("PLF") received from the State of Ohio to finance the projects.

A note covenant requires the Library to establish and fund a Note Retirement fund, included as a debt service fund from which the Library shall appropriate debt service payments from the PLF revenues received in the amount of the annual payments. The balance in the Note Retirement fund at December 31, 2016 is \$52,572.

Leases

The Library leases copier equipment under non-cancelable leases. The Library disbursed \$5,604 to pay lease costs for the year ended December 31, 2016.

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	General Obligation Notes
2017	<u>\$352,706</u>
2018	352,706
2019	352,706
2020	352,706
2021	352,706
2022-2026	1,763,528
2027-2029	<u>887,996</u>
Total	<u>\$4,415,054</u>

The Library made additional principal payments totaling \$124,016 in 2016.

Note 10 – Construction and Contractual Commitments

The Library has the following contractual commitments for building construction:

VendRick Construction, Inc.	Retainage	\$ 5,000
VL Chapman Electric, Inc.	Additional Lighting	3,490
RadioActive Electronics	Streaming Video, etc.	<u>6,870</u>
Total Commitment		\$15,360

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**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

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

	General	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$1,066,698	\$0	\$0	\$0	\$1,066,698
Public Library	938,834	370,335			1,309,169
Intergovernmental	43,251				43,251
Patron Fines and Fees	28,658				28,658
Contributions, Gifts and Donations	28,417		36,907		65,324
Earnings on Investments	7,575		36,412	468	44,455
Miscellaneous	4,535		23,978		28,513
<i>Total Cash Receipts</i>	<u>2,117,968</u>	<u>370,335</u>	<u>97,297</u>	<u>468</u>	<u>2,586,068</u>
Cash Disbursements					
Current:					
Library Services	1,653,932				1,653,932
Capital Outlay			2,119,950		2,119,950
Debt Service:					
Principal Retirement		360,908			360,908
Interest and Fiscal Charges		112,630			112,630
<i>Total Cash Disbursements</i>	<u>1,653,932</u>	<u>473,538</u>	<u>2,119,950</u>	<u>0</u>	<u>4,247,420</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>464,036</u>	<u>(103,203)</u>	<u>(2,022,653)</u>	<u>468</u>	<u>(1,661,352)</u>
Other Financing Receipts (Disbursements)					
Transfers In		120,824			120,824
Transfers Out	(120,824)				(120,824)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(120,824)</u>	<u>120,824</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	343,212	17,621	(2,022,653)	468	(1,661,352)
<i>Fund Cash Balances, January 1 (restated note 2)</i>	<u>1,332,302</u>	<u>30,000</u>	<u>6,108,017</u>	<u>15,847</u>	<u>7,486,166</u>
Fund Cash Balances, December 31					
Nonspendable				10,000	10,000
Restricted		47,621	4,085,364	6,315	4,139,300
Assigned	53,288				53,288
Unassigned (Deficit)	1,622,226				1,622,226
<i>Fund Cash Balances, December 31</i>	<u>\$1,675,514</u>	<u>\$47,621</u>	<u>\$4,085,364</u>	<u>\$16,315</u>	<u>\$5,824,814</u>

The notes to the financial statements are an integral part of this statement.

ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015

	Fiduciary Fund Type
	<u>Private Purpose Trust</u>
Operating Cash Receipts	
Earnings on Investments	\$51
<i>Total Operating Cash Receipts</i>	<u>51</u>
Operating Cash Disbursements	
<i>Total Operating Cash Disbursements</i>	<u>0</u>
<i>Operating Income (Loss)</i>	<u>51</u>
<i>Fund Cash Balances, January 1</i>	<u>5,997</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$6,048</u></u>

The notes to the financial statements are an integral part of this statement.

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 1 - Reporting Entity

The Ashtabula County District Library (the Library), Ashtabula 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. Ashtabula County Commissioners appoint four (4) members of the Board of Trustees and Ashtabula County Common Pleas Judges appoint three (3) members of the Board of Trustees to govern the Library. 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.

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 and fiduciary 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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Debt Service Fund ('00%) this fund is maintained for the purpose of servicing the facilities construction debt with Andover Bank. A portion of each monthly PLF distribution is "deposited" in Fund 3001, and then dispersed to Andover Bank on a semi-annual basis.

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Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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Private-Purpose Trust Funds

Private-purpose trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Library's own programs.

The Library's private purpose trust funds are for the benefit of certain individuals, a non-profit organization which are not available to support the Library's own programs.

Private-Purpose Trust – Griffith 1 (9751) – This fund was established by the family of Sharon Griffith for the purpose of purchasing Spanish-language juvenile materials for the Geneva Library.

Private-Purpose Trust – Griffith 2 (9752) – This fund was established by the family of Sharon Griffith for the purpose of purchasing Spanish-language materials for the Geneva 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 that is, disbursements and encumbrances may not exceed appropriations at the fund, function, and object level of control

A summary of 2015 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.

The Library's investments were limited to certificates of deposit and instruments of government sponsored mortgage-backed securities. Except for nonparticipating investments contracts, investments are reported at Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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

Capital Assets

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

Accumulated Leave

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

Fund Balance

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

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.

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.

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 3 - Budgetary Activity

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

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,329,644	\$2,117,968	(\$211,676)
Debt Service	480,824	370,335	(\$110,489)
Capital Projects	3,955,000	97,297	(\$3,857,703)
Permanent	0	468	\$468
Private Purpose Trust	0	51	\$51
Total	\$6,765,468	\$2,586,119	(\$4,179,349)

2015 Budgeted vs. Actual Budgetary Basis Expenditures **			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,861,000	\$1,785,192	75,808
Debt Service	473,630	473,538	92
Capital Projects	4,827,488	3,917,675	909,813
Total	\$7,162,118	\$6,176,405	\$985,713

** includes carry over and current year encumbrances

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:

	2015
Demand deposits	\$288,044
Certificates of deposit	2,697,966
Total deposits	2,986,010
Government Sponsored Enterprises securities	400,000
STAR Ohio	2,444,852
Total investments	2,844,852
Total deposits and investments	\$5,830,862

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

Investments: The Library's investments were limited to Star Ohio and instruments of Government Sponsored Enterprises securities. The financial institution maintains records identifying the Library as owner of these securities.

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

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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

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

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

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.

Note 7 - 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, 2015.

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 8 - 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. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2015.

Note 9 – Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
General Obligation Note	\$3,989,092	2.625%

The Library issued in December 2014 a 15 year general obligation note to finance the expansion and renovation of the Ashtabula Library and the renovation of the Geneva Library. The Library pledged 30% of the annual Public Library Funding (“PLF”) received from the State of Ohio to finance the projects.

A note covenant requires the Library to establish and fund a Note Retirement fund, included as a debt service fund from which the Library shall appropriate debt service payments from the PLF revenues received in the amount of the annual payments. The balance in the fund at December 31, 2015 is \$47,623.

Leases

The Library leases copier equipment under non-cancelable leases. The Library disbursed \$5,604 to pay lease costs for the year ended December 31, 2015.

Amortization

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	Series 2014 General Obligation Notes
2016	\$352,706
2017	352,706
2018	352,706
2019	352,706
2020	352,706
2021-2025	1,763,528
2026-2029	1,236,998
Total	\$4,764,055

The Library has made an addition principal payment of \$120,824 in 2015

Ashtabula County District Library
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 10 – Construction and Contractual Commitments

The Library has the following contractual commitments for building construction:

Charniga Plumbing & Heating, Inc.	\$106,636
Library Design Associates, Inc.	489,679
V. L. Chapman Electric, Inc.	322,441
VendRick Construction, Inc.	1,344,088
York Mahoning Mechanical Contractors, Inc.	111,315
Ziska Architecture	101,280
Total Contractual Commitment	<u>\$2,475,439</u>

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Dave Yost • Auditor of State

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

Ashtabula County District Library
Ashtabula County
335 W 44th Street
Ashtabula, Ohio 44004

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 Ashtabula County District Library, Ashtabula, (the Library) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated May 16, 2018 wherein we noted the Library followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Library's Response to Findings

The Library's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Library's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

May 16, 2018

**ASHTABULA COUNTY DISTRICT LIBRARY
ASHTABULA COUNTY**

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

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

1. Financial Reporting Posting Errors

<i>Finding Number</i>	2016-001
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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.

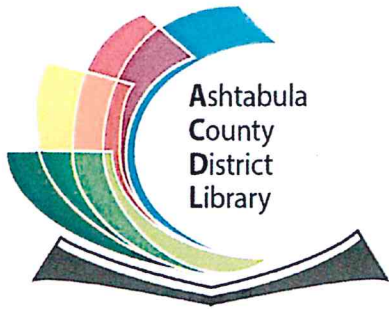
The following errors were noted and corrections are reflected in the accounting records and financial statements by management:

- In 2015 Capital Projects Fund expenditures of \$2,119,951 were posted to Library Services instead of Capital Outlay and in 2016 expenditures of \$3,913,126 were posted to Library Services instead of Capital Outlay.
- The Library posted a receipt from the State Public Library Fund of \$37,000 which is also restricted by a debt covenant to retire building construction debt, to the General fund as Other Financing Sources instead of posting to the Debt Service fund Public Library revenue.

The failure to accurately record revenues and expenditures to the proper fund or line items can result in undetected misstatements on the financial statements. The lack of accurate record keeping may prevent the Library from receiving and depositing funds collected or due, or expending money that is not available, appropriated or otherwise restricted all of which could result in potential misstatement of financial statement amounts.

We recommend the Fiscal Officer use the Ohio Public Library Accounting Handbook and UAN Accounting Manual and any applicable guidance from the Auditor of State's Office as a source of information regarding the proper recording of transactions. Additionally, the Board of Trustees should review monthly financial reports and cash reconciliations from the Fiscal Officer for changes in anticipated revenue, expenditures and transfers for accuracy and completeness of the reports. Any discrepancies should be investigated and corrected in a timely manner.

Official's Response: With regard to the first bullet point, going forward capital project fund expenditures will be posted to Capital outlay. With regard to the second bullet point, the \$37,000 incorrectly posted to General Fund was transferred to the Debt Service Fund in February 2017.



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Geneva Public Library & ACDL Bookmobile
 860 Sherman Street Geneva, OH 44041
 (440) 466-4521 Fax (440) 466-0162

www.acdl.info

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2016

Finding Number	Finding Summary	Status	Additional Information
2014-001	Ohio Admin. Code § 117-8-02 and Ohio Rev. Code § 5705.38(A) adoption of appropriation measures.	Fully Corrected	
2014-002	Material posting errors	Partially Corrected	Repeated as Finding 2016-001.
2014-003	Cash Reconciliation	Partially Corrected	Repeated in Management Letter caused by posting errors duplicating part of the 2014 audit adjustment.



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ASHTABULA COUNTY DISTRICT LIBRARY

ASHTABULA 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
MAY 31, 2018