



OHIO AUDITOR OF STATE
KEITH FABER



**SHELBY COUNTY LIBRARIES
SHELBY COUNTY
DECEMBER 31, 2018 AND 2017**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Shelby County Libraries
Shelby County
230 East North Street
Sidney, Ohio 45365

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 Shelby County Libraries, Shelby 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 *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, 2018 and 2017, 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 Shelby County Libraries, Shelby County as of December 31, 2018 and 2107, 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 December 2, 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

December 2, 2019

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Public Library	\$1,546,671			1,546,671
Intergovernmental		\$4,987		4,987
Patron Fines and Fees	18,645			18,645
Services Provided to Other Entities	34,010			34,010
Contributions, Gifts and Donations	74,130		\$31,062	105,192
Earnings on Investments	1,715			1,715
Miscellaneous	11,474			11,474
<i>Total Cash Receipts</i>	<u>1,686,645</u>	<u>4,987</u>	<u>31,062</u>	<u>1,722,694</u>
Cash Disbursements				
Current:				
Library Services:				
Public Services and Programs	177,178	5,562		182,740
Support Services:				
Facilities Operation and Maintenance	46,433			46,433
Information Services	84,782			84,782
Business Administration	1,275,568			1,275,568
Other	56,197			56,197
Capital Outlay	48,991		36,984	85,975
<i>Total Cash Disbursements</i>	<u>1,689,149</u>	<u>5,562</u>	<u>36,984</u>	<u>1,731,695</u>
<i>Net Change in Fund Cash Balances</i>	<u>(2,504)</u>	<u>(575)</u>	<u>(5,922)</u>	<u>(9,001)</u>
<i>Fund Cash Balances, January 1</i>	<u>149,622</u>	<u>96,786</u>		<u>246,408</u>
Fund Cash Balances, December 31				
Restricted		96,211		96,211
Assigned	15,874			15,874
Unassigned (Deficit)	131,244		(5,922)	125,322
<i>Fund Cash Balances, December 31</i>	<u>\$147,118</u>	<u>\$96,211</u>	<u>(\$5,922)</u>	<u>\$237,407</u>

See accompanying notes to the financial statements

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Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Shelby County Libraries (the Library), Shelby 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 Sidney City School Board of Education appoints a 7-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

Public Entity Risk Pool and Related Organization

The Library participates in a public entity risk pool (Ohio Plan Risk Management, Inc.) and is associated with the Community Foundation of Shelby County. Notes 6 and 9 to the financial statements provides additional information for these entities.

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 (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 Funds:

Library Services and Technology Act (LSTA) Grant Fund - This fund is used to account for monies from a grant to be used for in-house initiatives, statewide initiatives, or competitive grant programs.

Wical Fund - This fund is used to account for monies from a donation, which are to be used for future technology upgrades and improvements for the Botkins Branch Library.

Harshbarger Fund – This fund is used to account for monies from a donation, which are to be used for the improvement of facilities, including the collection of books on display at the Library.

Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

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

Building Expansion Fund – This fund receives donations from citizens and businesses in the surrounding area to be used for building construction costs.

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 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.

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.

Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

Note 3 – Budgetary Activity

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

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,555,465	\$1,686,645	\$131,180
Special Revenue	0	4,987	4,987
Capital Projects	77,812	31,062	(46,750)
Total	\$1,633,277	\$1,722,694	\$89,417

Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 3 – Budgetary Activity (Continued)

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,589,261	\$1,705,023	(\$115,762)
Special Revenue	39,949	5,562	34,387
Capital Projects	77,812	36,984	40,828
Total	\$1,707,022	\$1,747,569	(\$40,547)

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:

	2018
Demand deposits	\$145,908
Certificates of deposit	10,000
Total deposits	155,908
STAR Ohio	81,189
Total investments	81,189
Cash On Hand	310
Total deposits and investments	\$237,407

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Investments

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

Note 5 – 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.

Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 6 – Risk Management

Risk Pool Membership

The Library belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2018, the OPRM the property retention remained unchanged, however, the Plan assumed 100% of the first \$250,000 casualty treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 774 members as of December 31, 2018.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2018.

Assets	\$15,065,412
Liabilities	<u>(10,734,623)</u>
Members' Equity	<u>\$ 4,330,789</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plan

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 percent of their gross salaries and the District contributed an amount equaling 14 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2018.

Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended 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 – The Community Foundation of Shelby County

The Community Foundation of Shelby County (the "Foundation") is a not-for-profit corporation that was created in 1952 and invests charitable funds into investment pools, including a fund established in 2018 called the Shelby County Libraries Foundation. The Foundation was formed to be the primary partner for donors who want to advance the community's quality of life and capacity for excellence.

Unaudited financial statements of the Foundation may be obtained by contacting Marian Spicer, Executive Director, at mspicer@commfoun.com.

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

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Public Library	\$1,486,946			\$1,486,946
Patron Fines and Fees	18,598			18,598
Services Provided to Other Entities	23,085			23,085
Contributions, Gifts and Donations	18,020		\$614,105	632,125
Earnings on Investments	4,170			4,170
Miscellaneous	7,771			7,771
<i>Total Cash Receipts</i>	<u>1,558,590</u>		<u>614,105</u>	<u>2,172,695</u>
Cash Disbursements				
Current:				
Library Services:				
Public Services and Programs	248,210	\$1,084		249,294
Support Services:				
Facilities Operation and Maintenance	64,150			64,150
Information Services	65,594			65,594
Business Administration	1,146,417			1,146,417
Other	34,626			34,626
Capital Outlay	21,138		1,593,935	1,615,073
<i>Total Cash Disbursements</i>	<u>1,580,135</u>	<u>1,084</u>	<u>1,593,935</u>	<u>3,175,154</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(21,545)</u>	<u>(1,084)</u>	<u>(979,830)</u>	<u>(1,002,459)</u>
Other Financing Receipts (Disbursements)				
Transfers In			977,120	977,120
Transfers Out	(977,120)			(977,120)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(977,120)</u>		<u>977,120</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(998,665)	(1,084)	(2,710)	(1,002,459)
<i>Fund Cash Balances, January 1</i>	<u>1,148,287</u>	<u>97,870</u>	<u>2,710</u>	<u>1,248,867</u>
Fund Cash Balances, December 31				
Restricted		96,786		96,786
Assigned	33,942			33,942
Unassigned	115,680			115,680
<i>Fund Cash Balances, December 31</i>	<u>\$149,622</u>	<u>\$96,786</u>	<u>\$0</u>	<u>\$246,408</u>

See accompanying notes to the financial statements

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Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Shelby County Libraries (the Library), Shelby 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 Sidney City School Board of Education appoints a 7-member Board of Trustees to govern the Library. The Library provides the community with various educational and literary resources.

Public Entity Risk Pool

The Library participates in a public entity risk pool, the Ohio Plan Risk Management, Inc. Note 6 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 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 (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 Funds:

Wical Fund - This fund is used to account for monies from a donation, which are to be used for future technology upgrades and improvements for the Botkins Branch Library.

Harshbarger Fund - This fund is used to account for monies from a donation, which are to be used for the improvement of facilities, including the collection of books on display at the Library.

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

Building Expansion Fund - This fund receives monies from the transfer of funds from the general fund and donations from citizens and businesses in the surrounding area to be used for building construction costs.

Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

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 2017 budgetary activity appears in Note 3.

Deposits and Investments

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

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.

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:

Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,608,561	\$1,558,590	(\$49,971)
Special Revenue	\$0	\$0	\$0
Capital Projects	1,626,477	1,591,225	(35,252)
Total	\$3,235,038	\$3,149,815	(\$85,223)

Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 – Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,604,652	\$2,591,197	(\$986,545)
Special Revenue	40,331	1,786	38,545
Capital Projects	1,500,000	1,593,935	(93,935)
Total	\$3,144,983	\$4,186,918	(\$1,041,935)

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:

	2017
Demand deposits	\$156,476
Certificates of deposit	10,000
Total deposits	166,476
STAR Ohio	79,622
Total investments	79,622
Cash On Hand	310
Total deposits and investments	\$246,408

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Investments

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

Note 5 – 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.

Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 – Risk Management

Risk Pool Membership

The Library belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Effective November 1, 2017, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 764 members as of December 31, 2017.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2017.

Assets	\$14,853,620
Liabilities	<u>(9,561,108)</u>
Members' Equity	<u>\$ 5,292,512</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plan

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 percent of their gross salaries and the Library contributed an amount equaling 14 percent of participants' gross salaries. The Library has paid all contributions required through December 31, 2017.

Shelby County Libraries
Shelby County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 – Postemployment Benefits

OPERS offer 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 1.0 percent during calendar year 2017.

OHIO AUDITOR OF STATE KEITH FABER



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

Shelby County Libraries
Shelby County
230 East North Street
Sidney, Ohio 45365

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 Shelby County Libraries, Shelby 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 December 2, 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.

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 a material weakness. We consider finding 2018-001 to be a material weakness.

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

December 2, 2019

**SHELBY COUNTY LIBRARIES
SHELBY COUNTY**

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

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

FINDING NUMBER 2018-001

Material Weakness – Bank Reconciliations

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.

Cash is the asset most susceptible to theft and misappropriation; therefore, appropriate controls over cash and the cash reconciliation process should be in place at the Library. Monthly reconciliations between the book balance and the bank accounts is a key control that provides a reasonable assurance that all receipts and disbursements have been accurately and completely recorded in the accounting records and processed by the financial institutions.

The following issues were identified with the cash control and reconciliation process:

- There was an unreconciled variance, after below audit adjustments, of \$5,567 between the Library's adjusted financial statements and the Library's reconciled bank accounts at December 31, 2017. There was also an unreconciled variance, after below audit adjustments, of \$178 between the Library's adjusted financial statements and the Library's reconciled bank accounts at December 31, 2018. The total cash in the Library's reconciled bank accounts was greater than total cash on the Library's accounting system at year-end 2017 and 2018.
- The Library's December 31, 2016 reconciliation carried a reconciling item of \$3,534 related to a duplicate payment made to the Internal Revenue Service (IRS) in January 2016. The payment was only entered into the accounting system once; therefore, when the refund was received from the IRS in November 2016, the receipt should not have been recorded into the accounting system. However, the Library recorded this receipt as miscellaneous revenue in the general fund during 2016. Therefore, general fund opening balance and cash was overstated by \$3,534 on the 2017 and 2018 financial statements as this error was not corrected during the audit period. The Library's accounting system has been corrected for this error.
- A double payment of the Library's employee health insurance premiums occurred in December 2016 in the amount of \$4,683. Both payments were recorded as an expenditure in the Library's accounting system and both payments were deducted from the Library's bank account. However, in January 2017, the Library reversed one of these expenditures via a negative expenditure but there was no corresponding transaction in the Library's bank account. Therefore, business administration expenditures was understated and cash was overstated by \$4,683 in the general fund for 2017. This also impacted opening balance and cash for 2018. The Library's accounting system has been corrected for this error.
- A double payment of the Library's employee health insurance premiums occurred in May 2017 - one payment was a check that was recorded in the Library's accounting system and the other payment was an electronic funds transfer that occurred in May 2017, but was not recorded in the Library's accounting system until 2019. Therefore, business administration expenditures was understated and cash was overstated by \$5,359 in the general fund for 2017. This also impacted opening balance and cash for 2018.

**FINDING NUMBER 2018-001
(Continued)**

- The Library's December 31, 2018 bank reconciliation included several transactions as reconciling items because the transactions had not been entered into the accounting system until 2019; however, the related electronic withdrawal had occurred from the Library's bank account prior to 2018 year-end. Therefore, the transactions should have been recorded as 2018 expenditures. This resulted in business administration expenditures being understated and cash overstated by \$11,664 in the general fund for 2018. The Library's financial statements were adjusted for these errors.
- After the above adjustments were made, general fund balance and total fund balance reported on the adjusted financial statements was \$13,575 and \$25,239 less than the amount on the Library's financial statements and accounting system at year-end 2017 and 2018, respectively.
- The Library's bank reconciliations for all months during 2017 and 2018 included numerous unusual items, mostly in relatively small amounts.
- There was no evidence that the Board reviewed and approved any bank reconciliations during 2017 and 2018.

The above errors were caused by the Library's lack of understanding of the bank reconciliation process and a failure to appropriately monitor the bank reconciliation process.

Failure to prepare a monthly bank reconciliation that properly reconciles and does not include unusual or incorrect reconciling items and failure to implement adequate controls over cash and the cash reconciliation process could lead to errors and irregularities occurring and not being identified in a timely manner. This could also lead to management decisions being made based on incorrect information if the true fund balance is not known.

The Library should implement procedures related to cash controls and the cash reconciliation process. Bank reconciliations should be prepared timely and reviewed and approved for accuracy by the Board. This review and approval should be documented in the Board's minutes. Any unusual reconciling items should be investigated and corrected in a timely manner. All bank accounts should be included in the monthly bank reconciliation and total cash should be reconciled to total fund balances on the accounting system.

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

Shelby County LIBRARIES

Honoring Each Person's Quest

Locations in Anna, Botkins, Ft. Loramie, Jackson Center, Russia and Sidney

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	Material Weakness – Fund Balance Classifications	Not corrected for 2017, but corrected for 2018	Shelby County Libraries management is aware of the items recorded in the 2015-2016 audit report and is aware this finding will be repeated in the management letter due to the 2017 errors.
2016-002	Significant Deficiency - Bank Reconciliations	Not corrected	Shelby County Libraries management is aware of the items recorded in the 2015-2016 audit report and is aware this finding was repeated in the 2017-2018 report and will work to correct the items for the next audit period.

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OHIO AUDITOR OF STATE KEITH FABER



SHELBY COUNTY LIBRARIES

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 14, 2020**