



Dave Yost • Auditor of State

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Auglaize County Public District Library
Auglaize County
203 South Perry Street
Wapakoneta, Ohio 45895

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Auglaize County Public District Library, Auglaize County, Ohio (the Library), as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Library's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Library's internal control. Accordingly, we express no 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Auglaize County Public District Library, Auglaize County, Ohio, as of December 31, 2014 and 2013, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental and Other Information

We audited to opine on the Government's financial statements that collectively comprise its basic financial statements.

We applied no procedures to the Management's Discussion & Analysis presented on pages 3-6 and pages 25-29 of the report, and accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2015, 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

September 9, 2015

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED**

This discussion and analysis of the Auglaize County Public District Library's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2014, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the library's financial performance.

Highlights

Key highlights for 2014 are as follows:

- Net position of governmental activities decreased \$179,512 from 2013. This was a result of an increase in library operation and staff hours as well as insurance costs. There was also a large decrease from 2013 due to the large payment of \$108,000 for the New Knoxville Building.
- The library's general receipts are primarily from the Public Library Fund (PLF). These receipts represent approximately 94 percent of the total cash received for library activities during the year. The PLF receipts were \$18,422 less in 2014 than 2013.

Using the Basic Financial Statements

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the library as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

Reporting the Library as a Whole

The statement of net position and the statement of activities reflect how the Library did financially during 2014, within the limitations of cash basis accounting. The statement of net position presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function activity draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating.

In the statement of net position and the statement of activities, the Library only has governmental activities.

Governmental activities - All of the Library's basic services are reported here. The PLF finances most of these activities.

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the library funds are considered governmental.

Governmental Funds – All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's only major governmental funds are the General Fund and the Building Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

The Library as a Whole

Table 1 provides a summary of the Library's net position for 2014 compared to 2013 on a cash basis:

**(Table 1)
Net Position**

| | Governmental Activities | |
|--------------------------------|--------------------------------|--------------------|
| | 2014 | 2013 |
| Assets: | | |
| Cash and Cash Equivalents | \$3,267,899 | \$3,447,411 |
| Total Assets | <u>\$3,267,899</u> | <u>\$3,447,411</u> |
| Net Position: | | |
| Restricted for: | | |
| Capital Outlay | 820,847 | 917,069 |
| Permanent Fund - Nonexpendable | 17,939 | 17,939 |
| Other Purposes | 25,338 | 25,704 |
| Unrestricted | <u>2,403,775</u> | <u>2,486,699</u> |
| Total Net Position | <u>\$3,267,899</u> | <u>\$3,447,411</u> |

As mentioned previously, net position of governmental activities decreased \$179,512 during 2014.

Table 2 reflects the changes in net position on a cash basis in 2014 and 2013.

| | Governmental Activities | |
|---|--------------------------------|--------------------|
| | 2014 | 2013 |
| Receipts: | | |
| Program Receipts | \$50,464 | \$48,487 |
| Total Program Receipts | <u>50,464</u> | <u>48,487</u> |
| General Receipts: | | |
| Unrestricted Gifts and Donations | 324 | 50 |
| Grants and Entitlements Not Restricted to Specific Programs | 937,658 | 956,080 |
| Interest | 2,073 | 4,472 |
| Miscellaneous | 2,328 | 5,732 |
| Total General Receipts | <u>942,383</u> | <u>966,334</u> |
| Total Receipts | <u>992,847</u> | <u>1,014,821</u> |
| Disbursements: | | |
| Library Services | 1,165,167 | 1,081,074 |
| Capital Outlay | 7,192 | 6,712 |
| Total Disbursements | <u>1,172,359</u> | <u>1,087,786</u> |
| Change in Net Position | (179,512) | (72,965) |
| Net Position, January 1, 2014 | <u>3,447,411</u> | <u>3,520,376</u> |
| Net Position, December 31, 2014 | <u>\$3,267,899</u> | <u>\$3,447,411</u> |

Disbursements represent the overhead costs of running the Library and the support services provided for the other Library activities. The largest areas of expenditures include payroll and library materials and supplies.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2014
UNAUDITED
(Continued)**

The dependence upon state General Revenue tax revenues is apparent as over 94 percent of governmental activities are supported through these and other general receipts. Other receipts are insignificant and somewhat unpredictable revenue sources.

Library's Funds

Total governmental funds had receipts of \$992,847 and disbursements of \$1,172,359. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$82,924.

General Fund Budgeting Highlights

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2014, final PLF receipt amounts were \$10,663 more than budgeted.

Final disbursements were budgeted at \$1,279,851 while actual disbursements were \$1,165,818. There wasn't a large variance in any specific account. All accounts had some variance because there is normally a small cushion for each account to prepare for unexpected expenditures.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on state funding and that is unpredictable and unstable.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jennifer L. Eyink, Fiscal Officer, 203 South Perry St., Wapakoneta, Ohio 45895.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2014**

| | Governmental Activities |
|--|------------------------------------|
| Assets: | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$3,267,899</u> |
| Net Position: | |
| Restricted for: | |
| Capital Projects | 820,847 |
| Permanent Fund - Nonexpendable | 17,939 |
| Other Purposes | 25,338 |
| Unrestricted | <u>2,403,775</u> |
| Total Net Position | <u><u>\$3,267,899</u></u> |

See accompanying notes to the basic financial statements.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Program Cash Receipts | | | Net (Disbursements) Receipts and Change in Net Position |
|--|------------------------------|---------------------------------|---|--|
| | Disbursements | Charges for Services | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities: | | | | |
| Library Services | \$1,165,167 | \$20,106 | \$30,358 | (\$1,114,703) |
| Capital Outlay | 7,192 | | | (7,192) |
| Total Governmental Activities | \$1,172,359 | \$20,106 | \$30,358 | (1,121,895) |
| | | | | |
| General Receipts: | | | | |
| Unrestricted Gifts and Contributions | | | | 324 |
| Grants and Entitlements Not Restricted to Specific Programs | | | | 937,658 |
| Earnings on Investments | | | | 2,073 |
| Miscellaneous | | | | 2,328 |
| Total General Receipts | | | | 942,383 |
| | | | | |
| Change in Net Position | | | | (179,512) |
| | | | | |
| Net Position at Beginning of Year | | | | 3,447,411 |
| | | | | |
| Net Position at End of Year | | | | \$3,267,899 |

See accompanying notes to the basic financial statements.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

| | <u>General</u> | <u>Building</u> | <u>Other Governmental</u> | <u>Total</u> |
|--|--------------------|------------------|-------------------------------|--------------------|
| Assets | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,403,775 | \$613,475 | \$250,649 | \$3,267,899 |
| Total Assets | <u>2,403,775</u> | <u>613,475</u> | <u>250,649</u> | <u>3,267,899</u> |
| Fund Balances | | | | |
| Nonspendable | | | 17,939 | 17,939 |
| Restricted | | | 25,338 | 25,338 |
| Assigned | 209,357 | 613,475 | 207,372 | 1,030,204 |
| Unassigned | 2,194,418 | | | 2,194,418 |
| Total Fund Balances | <u>\$2,403,775</u> | <u>\$613,475</u> | <u>\$250,649</u> | <u>\$3,267,899</u> |

See accompanying notes to the basic financial statements.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | <u>General</u> | <u>Building Fund</u> | <u>Other Governmental</u> | <u>Total</u> |
|--|--------------------|--------------------------|-------------------------------|--------------------|
| Receipts: | | | | |
| Library and Local Government Support | \$937,658 | | | \$937,658 |
| Patron Fines and Fees | 20,106 | | | 20,106 |
| Contributions, Gifts and Donations | 30,682 | | | 30,682 |
| Earnings on Investments | 2,073 | | | 2,073 |
| Miscellaneous | 2,328 | | | 2,328 |
| Total Receipts | <u>992,847</u> | | | <u>992,847</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Library Services | 1,157,731 | | \$7,436 | 1,165,167 |
| Capital Outlay | 6,040 | | 1,152 | 7,192 |
| Total Disbursements | <u>1,163,771</u> | | <u>8,588</u> | <u>1,172,359</u> |
| Excess of Receipts (Under) Disbursements | (170,924) | | (8,588) | (179,512) |
| Other Financing Sources (Uses): | | | | |
| Transfers In | 108,000 | | 20,000 | 128,000 |
| Transfers Out | (20,000) | (\$108,000) | | (128,000) |
| Total Other Financing Sources (Uses) | <u>88,000</u> | <u>(108,000)</u> | <u>20,000</u> | |
| Changes in Fund Balances | (82,924) | (108,000) | 11,412 | (179,512) |
| Fund Balances at Beginning of Year | <u>2,486,699</u> | <u>721,475</u> | <u>239,237</u> | <u>3,447,411</u> |
| Fund Balances at End of Year | <u>\$2,403,775</u> | <u>\$613,475</u> | <u>\$250,649</u> | <u>\$3,267,899</u> |

See accompanying notes to the basic financial statements.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|---------------------------|---------------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>(Negative)</u> |
| Receipts: | | | | |
| Library and Local Government Support | \$926,995 | \$926,995 | \$937,658 | \$10,663 |
| Patron, Fines and Fees | 17,500 | 17,500 | 20,106 | 2,606 |
| Contributions, Gifts and Donations | 30,100 | 30,100 | 30,682 | 582 |
| Earnings on Investments | 4,000 | 4,000 | 2,073 | (1,927) |
| Miscellaneous | 9,200 | 9,200 | 2,328 | (6,872) |
| Total Receipts | <u>987,795</u> | <u>987,795</u> | <u>992,847</u> | <u>5,052</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Library Services | 1,151,647 | 1,267,851 | 1,159,778 | 108,073 |
| Capital Outlay | 10,500 | 12,000 | 6,040 | 5,960 |
| Total Disbursements | <u>1,162,147</u> | <u>1,279,851</u> | <u>1,165,818</u> | <u>114,033</u> |
| Receipts (Under) Disbursements | (174,352) | (292,056) | (172,971) | 119,085 |
| Other Financing Sources (Uses): | | | | |
| Transfers In | | | 108,000 | 108,000 |
| Transfers Out | | (20,000) | (20,000) | |
| Other Financing Uses | (30,000) | (296) | | 296 |
| Total Other Financing Sources (Uses) | <u>(30,000)</u> | <u>(20,296)</u> | <u>88,000</u> | <u>108,296</u> |
| Net Change in Fund Balance | (204,352) | (312,352) | (84,971) | 227,381 |
| Fund Balance Beginning of Year | 2,471,298 | 2,471,298 | 2,471,298 | |
| Prior Year Encumbrances Appropriated | <u>15,401</u> | <u>15,401</u> | <u>15,401</u> | |
| Fund Balance End of Year | <u><u>\$2,282,347</u></u> | <u><u>\$2,174,347</u></u> | <u><u>\$2,401,728</u></u> | <u><u>\$227,381</u></u> |

See accompanying notes to the basic financial statements.

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**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The Auglaize County Public District Library (the Library) was organized as a county district library. The Library has its own seven-member Board of Trustees with four members being appointed by the Auglaize County Commissioners and three members by the Auglaize County Common Pleas Judge. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

The Library is fiscally independent of the county, although the Auglaize County Commissioners serve as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Auglaize County Commissioners must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the county.

Under the provisions of Statement No. 14, as amended by No. 39 and Statement No. 61 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the county.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board; and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. Component units may also include organizations for which the Library authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Library. The Library has no component units.

The Friends of the Auglaize County Public District Library, Friends of the Wapakoneta Library, Friends of FJ Stallo Library, Friends of New Bremen Library, Friends of White Memorial Library, and Friends of New Knoxville Library. are not-for-profit organizations with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Also, the organizations net assets do not exceed 5% of the Library's Net assets. Therefore, these organizations have been excluded from the reporting entity of the Library.

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

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in the Basis of Accounting section of this note, the financial statements of the Auglaize County Public District Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the Cash basis of accounting. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

1. Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function activity is self-financing on a cash basis or draws from the Library's general receipts.

2. Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Library's funds are all classified as governmental.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

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.

Building Fund - The building and repair fund accounts for and reports resources committed by the Board of Library Trustees specifically for building improvements or building leases.

The other governmental funds of the Library account for and report grants and other resources whose use is restricted, committed or assigned to a particular purpose.

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, (except agency funds), are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Cash and Cash Equivalents

Library records identify the purchase of specific investments by specific funds.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2014, investments were limited to savings accounts and a nonnegotiable certificate of deposit.

The Library's savings accounts are recorded at amounts reported by Chase Bank on December 31, 2014 and the certificate of deposit investment is recorded at the amount reported by First National Bank of New Bremen on December 31, 2014.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the general fund during 2014 amounted to \$2,073 which includes \$580 assigned from other funds.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. The Library did not have restricted assets.

G. Inventory and Prepaid Items

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Library's cash basis of accounting.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Employer Contribution to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contribution to cost-sharing pension plans when they are paid. As described in Note 6 & 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Net Position

Net position are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restriction imposed by the creditor, grantors, or laws or regulations of other governments.

The Library's policy is to first apply unrestricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance

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

Non-spendable - The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as 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 committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute. Also included are subsequent year appropriations in excess of subsequent estimated receipts.

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

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The difference(s) between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). The encumbrances outstanding at year end (budgetary basis) amounted to \$2,047 for the general fund.

4. DEPOSITS

Monies held by the Library are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Library treasury. Active monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Library can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

4. DEPOSITS (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the clerk/treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,004,582 of the Library's bank balance of \$3,272,569 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

The Library maintains petty cash of \$50.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

5. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2013, the Library contracted with The Ohio Plan for various types of insurance coverage as follows:

| <u>Company</u> | <u>Type of Coverage</u> | <u>Coverage</u> |
|--------------------------------------|-------------------------|-----------------|
| The Ohio Plan-Stolly Insurance Group | Commercial Property | \$4,178,931 |
| | General Liability | 4,000,000 |
| | Commercial Crime | 5,000 |
| | Errors and Omissions | 2,000,000 |
| | Library Materials | 2,819,645 |
| | Electronic Equipment | 168,145 |
| | Employee Benefits | 2,000,000 |

Settled claims have not exceeded this coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Library provides health insurance for staff who work 30 or more hours per week through Structured Employee Benefits of Ohio and pays 85% of the employee share of the premium for a single policy for a full time employee and the prorated share for part time employees. The Library provides a \$15,000 life insurance policy for all employees who work 30 hours or more per week and pays 100% of that policy.

6. DEFINED BENEFIT PENSION PLAN

Plan Description – The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, by calling (614) 222-5601 or 1-800-222-7377.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

6. DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy - For the year ended December 31, 2014, the members were required to contribute 10% of their annual covered salaries. The 2014 employer contribution rate for the state and local employers was 14% of covered payroll. The Library's contribution rate for pension benefits for 2014 was 13 for the 2014 calendar year. For 2014, a portion of the Library's contribution equal to 2 percent of covered payroll was allocated to fund the postemployment health care plan. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Library's 2014 required contributions for pension obligations to the traditional and/or combined plans for the years ended December 31, 2014, 2013, and 2012 were \$65,887, \$70,030, and \$47,512, respectively; the full amount has been contributed for 2014, 2013, and 2012. No employees are under the member-directed plan.

7. POST-EMPLOYMENT BENEFITS

Plan Description – OPERS administers three separate pension plans: The Traditional Pension plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including the postemployment healthcare.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. The Ohio Revised Code permits, but does not mandate, OPERS to provide the OPEB Plan to its eligible members and beneficiaries. Authority to establish and amend the OPEB Plan is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care coverage through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care coverage. Employer contribution rates are expressed as percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.0% of covered payroll and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB plan.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

7. POST-EMPLOYMENT BENEFITS (Continued)

The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 2% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to healthcare remains at 2 % for both plans, as recommended by the OPERS Actuary. The OPERS Board to Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Library's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2014, 2013, and 2012 were \$10,981, \$5,387, \$19,005, respectively. 100% has been contributed for 2014 and 100% for 2013 and 2012.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 % of the employer contributions toward the health care fund after the end of the transition period.

8 FUND BALANCES

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

| <u>Fund Balances</u> | <u>General</u> | <u>Fund</u> | <u>Funds</u> | <u>Total</u> |
|------------------------------------|--------------------|------------------|------------------|--------------------|
| Non-spendable: | | | | |
| Trust Funds | | | \$17,939 | \$17,939 |
| Total Non-spendable | | | <u>17,939</u> | <u>17,939</u> |
| Restricted for: | | | | |
| Memorial Funds | | | 25,338 | 25,338 |
| Total Restricted | | | <u>25,338</u> | <u>25,338</u> |
| Assigned to | | | | |
| Subsequent year budget deficit | \$207,310 | | | 207,310 |
| Unpaid Obligations | 2,047 | | | 2,047 |
| Buildings, Vehicles, and Computers | | \$613,475 | 207,372 | 820,847 |
| Total Assigned | <u>209,357</u> | <u>613,475</u> | <u>207,372</u> | <u>1,030,204</u> |
| Unassigned (Deficit) | <u>2,194,418</u> | <u>0</u> | | <u>2,194,418</u> |
| Total Fund Balances | <u>\$2,403,775</u> | <u>\$613,475</u> | <u>\$250,649</u> | <u>\$3,267,899</u> |

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)**

9. INTERFUND TRANSFERS

During 2014, the General Fund transferred \$20,000 to the Capital Projects Computer Fund for future computer purchases. Also during 2014, the Building Fund transferred \$108,000 to the General Fund for the renovation of approximately 2600 sq. ft. of library space and the prepayment of twenty years of rent on a library building.

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**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED**

This discussion and analysis of the Auglaize County Public District Library's (the Library) financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2013, within the limitations of the Library's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the library's financial performance.

Highlights

Key highlights for 2013 are as follows:

- Net position of governmental activities decreased \$72,965, or 2 percent, an insignificant change from the prior year.
- The library's general receipts are primarily from the Public Library Fund (PLF). These receipts represent approximately 94.2 percent of the total cash received for library activities during the year. The PLF receipts were \$21,428 more in 2013 than 2012. Ohio library funding has been frozen or cut since 2002 and was based strictly on personal income tax revenues until 2007. The personal income tax cuts and the weakening Ohio economy hurt personal income tax revenues after 2001 and also weakened library funding. The library funding was changed in July 2007 from the LLGSF to the PLF and will be funded through all General Revenue tax revenues, rather than personal income tax.
- Many cost-cutting measures were taken at the end of 2009, due to the state funding problems. No raises were given to staff for the two years in a row, open hours at all library locations were decreased, bookmobile services were eliminated, health insurance was eliminated for any new employees unless they work 30 or more hours per week, vacation and sick leave will be available only to employees working 30 or more hours per week, Administrative salaries were reduced, fines and fees were increased, all programming funding was eliminated (other than what is received from donated funds), and all material budgets were reduced. The PLF for 2013 was not nearly as low as expected so no further reductions have been made and the staff received a 2% wage increase for 2014.
- Interest rates on the CD's and savings accounts continue to be very low.
- One retirement occurred in 2013: Marilyn Mackey, Assistant Branch Supervisor for the New Bremen branch.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the library's cash basis of accounting.

Report Components

The statement of net position and the statement of activities provide information about the cash activities of the library as a whole or as an entire operating entity. The statements provide a detailed look at the library's specific financial activities and conditions on a modified cash basis of accounting.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Library as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Library has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Library as a Whole

The statement of net position and the statement of activities reflect how the Library did financially during 2013, within the limitations of cash basis accounting. The statement of net position presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial, the condition of the Library's capital assets and infrastructure, the extent of the Library's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in local revenue sources.

In the statement of net position and the statement of activities, there is one type of activities:

Governmental activities - All of the Library's basic services are reported here. The PLF finances most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. All of the library funds are considered governmental.

Governmental Funds – All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Library's only major governmental funds are the General Fund and the Building Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Library as a Whole

Table 1 provides a summary of the Library's net position for 2013 compared to 2012 on a cash basis.

**(Table 1)
Net Position**

| | Governmental Activities | | Total | |
|--------------------------------|--------------------------------|--------------------|--------------------|--------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Assets: | | | | |
| Cash and Cash Equivalents | \$3,447,411 | \$3,520,376 | \$3,447,411 | \$3,520,376 |
| Total Assets | <u>3,447,411</u> | <u>3,520,376</u> | <u>3,447,411</u> | <u>3,520,376</u> |
| Net Position: | | | | |
| Restricted for: | | | | |
| Capital Outlay | 917,069 | 932,389 | 917,069 | 932,389 |
| Permanent Fund - Nonexpendable | 17,939 | 17,939 | 17,939 | 17,939 |
| Other Purposes | 25,704 | 27,985 | 25,704 | 27,985 |
| Unrestricted | <u>2,486,699</u> | <u>2,542,063</u> | <u>2,486,699</u> | <u>2,542,063</u> |
| Total Net Position | <u>\$3,447,411</u> | <u>\$3,520,376</u> | <u>\$3,447,411</u> | <u>\$3,520,376</u> |

As mentioned previously, net position of governmental activities decreased \$ 72,965 or 2 percent during 2013.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

Table 2 reflects the changes in net position on a modified cash basis in 2013 and 2012 for governmental activities, business-type activities and total primary government.

**(Table 2)
Changes in Net Assets**

| | Governmental Activities | | Total | |
|--|------------------------------------|-------------|--------------|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Receipts: | | | | |
| Program Receipts: | \$48,487 | \$30,446 | \$48,487 | \$30,446 |
| Total Program Receipts | 48,487 | 30,446 | 48,487 | 30,446 |
| General Receipts: | | | | |
| Unrestricted Gifts and Donations | 50 | | 50 | |
| Grants and Entitlements Not Restricted to Specific Programs | 956,080 | 934,652 | 956,080 | 934,652 |
| Earnings on Investments | 4,472 | 4,064 | 4,472 | 4,064 |
| Miscellaneous | 5,732 | 26,114 | 5,732 | 26,114 |
| Total General Receipts | 966,334 | 964,830 | 966,334 | 964,830 |
| Total Receipts | 1,014,821 | 995,276 | 1,014,821 | 995,276 |
| Disbursements: | | | | |
| Library Services | 1,081,074 | 979,782 | 1,081,074 | 979,782 |
| Capital Outlay | 6,712 | 9,769 | 6,712 | 9,769 |
| Total Disbursements | 1,087,786 | 989,551 | 1,087,786 | 989,551 |
| Change in Net Position | (72,965) | 5,725 | (72,965) | 5,725 |
| Net Position, January 1, 2013 | 3,520,376 | 3,514,651 | 3,520,376 | 3,514,651 |
| Net Position, December 31, 2013 | \$3,447,411 | \$3,520,376 | \$3,447,411 | \$3,520,376 |

Disbursements represent the overhead costs of running the Library and the support services provided for the other Library activities. The largest areas of expenditures include payroll and library materials and supplies.

The dependence upon State General Revenue tax revenues is apparent as over 95 percent of governmental activities are supported through these and other general receipts. Other receipts are insignificant and somewhat unpredictable revenue sources.

The PLF varies each month and is very unpredictable. The chart below shows the monthly comparison of the PLF for 2009, 2010, 2011, 2012, and 2013.

PLF Comparison

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2013/2012 |
|-----------|----------------|--------------|--------------|--------------|--------------|------------------|
| January | \$96,376.86 | \$81,129.95 | \$85,688.34 | \$80,054.72 | \$80,156.78 | 0.13% |
| February | 114,874.10 | 88,359.16 | 100,008.47 | 93,638.22 | 93,740.30 | 0.11% |
| March | 64,625.36 | 54,965.53 | 58,365.73 | 54,137.55 | 54,239.62 | 0.19% |
| April | 74,542.55 | 67,009.11 | 76,665.39 | 71,498.88 | 71,597.95 | 0.14% |
| May | 118,178.63 | 108,172.12 | 124,757.63 | 117,114.32 | 117,216.39 | 0.09% |
| June | 90,150.50 | 78,430.46 | 87,599.95 | 81,868.00 | 81,970.06 | 0.12% |
| July | 91,668.49 | 87,028.35 | 104,142.51 | 81,698.97 | 78,554.56 | -3.85% |
| August | 65,674.20 | 69,078.39 | 64,400.71 | 64,616.20 | 67,923.79 | 5.12% |
| September | 67,487.55 | 71,835.88 | 67,020.33 | 67,240.66 | 77,739.23 | 15.61% |
| October | 79,493.44 | 85,559.32 | 80,057.59 | 80,300.92 | 79,417.17 | -1.10% |
| November | 75,410.73 | 79,101.56 | 73,922.72 | 74,155.23 | 80,656.53 | 8.77% |
| December | 65,959.45 | 72,981.20 | 68,108.38 | 68,330.63 | 72,867.63 | 6.64% |
| Total | \$1,004,441.86 | \$943,651.03 | \$990,737.75 | \$934,654.30 | \$956,080.01 | 2.29% |

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2013
UNAUDITED
(Continued)**

Library's Funds

Total governmental funds had receipts of \$1,014,821 and disbursements of \$1,087,786. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$55,364.

General Fund Budgeting Highlights

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Final actual receipts were below budgeted receipts by \$5,067. The largest variance was in the PLF. There was \$3,905 less income for the PLF than was originally forecast. The interest earned on investments was \$5,531 lower because interest rates continue to be very low.

Final disbursements were budgeted at \$1,214,996 while actual disbursements were \$1,085,583. There wasn't a large variance in any specific account. All accounts had some variance because there is normally a small cushion for each account to prepare for unexpected expenditures.

Capital Assets and Debt Administration

Capital Assets

The Library does not currently keep track of its capital assets and infrastructure.

Debt

As of December 31, 2013 the Library had no debt.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on state funding and that is unpredictable and unstable. The Library has planned for a decrease of the PLF from 2013 to 2014. There are some slight improvements to the economy and the recession ended in June 2012. However, there is still a lot of uncertainty with library funding.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jennifer L. Eyink, Fiscal Officer, 203 South Perry St., Wapakoneta, Ohio 45895.

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**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2013**

| | <u>Governmental Activities</u> |
|--|---|
| Assets: | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$3,447,411</u> |
| Net Position: | |
| Restricted for: | |
| Capital Projects | 917,069 |
| Permanent Fund - Non-expendable | 17,939 |
| Other Purposes | 25,704 |
| Unrestricted | <u>2,486,699</u> |
| Total Net Position | <u><u>\$3,447,411</u></u> |

See accompanying notes to the basic financial statements.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | Program Cash Receipts | | | Net (Disbursements) Receipts and Change in Net Position |
|--|------------------------------|---------------------------------|---|--|
| | Disbursements | Charges for Services | Operating Grants and Contributions | Governmental Activities |
| Governmental Activities: | | | | |
| Library Services | \$1,081,074 | \$17,744 | \$30,743 | (\$1,032,587) |
| Capital Outlay | 6,712 | | | (6,712) |
| Total Governmental Activities | \$1,087,786 | \$17,744 | \$30,743 | (1,039,299) |
| | | | | |
| General Receipts: | | | | |
| Unrestricted Gifts and Contributions | | | | 50 |
| Grants and Entitlements Not Restricted to Specific Programs | | | | 956,080 |
| Earnings on Investments | | | | 4,472 |
| Miscellaneous | | | | 5,732 |
| Total General Receipts | | | | 966,334 |
| | | | | |
| Change in Net Position | | | | (72,965) |
| | | | | |
| Net Position at Beginning of Year | | | | 3,520,376 |
| | | | | |
| Net Position at End of Year | | | | \$3,447,411 |

See accompanying notes to the basic financial statements.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

| | <u>General</u> | <u>Building</u> | <u>Other Governmental</u> | <u>Total</u> |
|--|--------------------|------------------|-------------------------------|--------------------|
| Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$2,486,699 | \$721,475 | \$239,237 | \$3,447,411 |
| Total Assets | <u>2,486,699</u> | <u>721,475</u> | <u>239,237</u> | <u>3,447,411</u> |
| Fund Balances: | | | | |
| Non-spendable | | | 17,939 | 17,939 |
| Restricted | | | 25,704 | 25,704 |
| Assigned | 327,753 | 721,475 | 195,594 | 1,244,822 |
| Unassigned | 2,158,946 | | | 2,158,946 |
| Total Fund Balances | <u>\$2,486,699</u> | <u>\$721,475</u> | <u>\$239,237</u> | <u>\$3,447,411</u> |

See accompanying notes to the basic financial statements.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | General Fund | Building Fund | Other Governmental Funds | Total |
|--|-------------------------|--------------------------|---|--------------------|
| Receipts: | | | | |
| Library and Local Government Support | \$956,080 | | | \$956,080 |
| Patron Fines and Fees | 17,744 | | | 17,744 |
| Contributions, Gifts and Donations | 30,793 | | | 30,793 |
| Earnings on Investments | 4,469 | | \$3 | 4,472 |
| Miscellaneous | 5,732 | | | 5,732 |
| Total Receipts | <u>1,014,818</u> | <u> </u> | <u>3</u> | <u>1,014,821</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Library Services | 1,063,470 | | 17,604 | 1,081,074 |
| Capital Outlay | 6,712 | | | 6,712 |
| Total Disbursements | <u>1,070,182</u> | <u> </u> | <u>17,604</u> | <u>1,087,786</u> |
| Excess of Receipts (Under) Disbursements | (55,364) | | (17,601) | (72,965) |
| Changes in Fund Balances | (55,364) | | (17,601) | (72,965) |
| Fund Balances at Beginning of Year | <u>2,542,063</u> | <u>\$721,475</u> | <u>256,838</u> | <u>3,520,376</u> |
| Fund Balances at End of Year | <u>\$2,486,699</u> | <u>\$721,475</u> | <u>\$239,237</u> | <u>\$3,447,411</u> |

See accompanying notes to the basic financial statements.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|--------------------|--------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts: | | | | |
| Library and Local Government Support | \$959,985 | \$959,985 | \$956,080 | (\$3,905) |
| Patron, Fines and Fees | 16,600 | 16,600 | 17,744 | 1,144 |
| Contributions, Gifts and Donations | 25,100 | 30,100 | 30,793 | 693 |
| Earnings on Investments | 10,000 | 10,000 | 4,469 | (5,531) |
| Miscellaneous | 3,200 | 3,200 | 5,732 | 2,532 |
| Total Receipts | <u>1,014,885</u> | <u>1,019,885</u> | <u>1,014,818</u> | <u>(5,067)</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Library Services | 1,176,388 | 1,200,433 | 1,078,871 | 121,562 |
| Capital Outlay | 14,563 | 14,563 | 6,712 | 7,851 |
| Total Disbursements | <u>1,190,951</u> | <u>1,214,996</u> | <u>1,085,583</u> | <u>129,413</u> |
| Receipts (Under) Disbursements | (176,066) | (195,111) | (70,765) | 124,346 |
| Other Financing Sources (Uses): | | | | |
| Sale of Fixed Assets | 400 | 400 | | (400) |
| Other Financing Uses | (30,000) | (5,955) | | 5,955 |
| Total Other Financing Sources (Uses) | <u>(29,600)</u> | <u>(5,555)</u> | | <u>5,555</u> |
| Net Change in Fund Balance | (205,666) | (200,666) | (70,765) | 129,901 |
| Fund Balance Beginning of Year | 2,521,552 | 2,521,552 | 2,521,552 | |
| Prior Year Encumbrances Appropriated | <u>20,511</u> | <u>20,511</u> | <u>20,511</u> | |
| Fund Balance End of Year | <u>\$2,336,397</u> | <u>\$2,341,397</u> | <u>\$2,471,298</u> | <u>\$129,901</u> |

See accompanying notes to the basic financial statements.

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**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. DESCRIPTION OF THE LIBRARY AND REPORTING ENTITY

The Auglaize County Public District Library (the Library) was organized as a county district library. The Library has its own seven-member Board of Trustees with four members being appointed by the Auglaize County Commissioners and three members the Auglaize County Common Pleas Judge. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

The Library is fiscally independent of the county, although the Auglaize County Commissioners serve as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Auglaize County Commissioners must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the county.

Under the provisions of Statement No. 14 as amended by No. 39 and Statement No. 61 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the county.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board; and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. Component units may also include organizations for which the Library authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Library. The Library has no component units.

The Friends of the Auglaize County Public District Library, Friends of the Wapakoneta Library, Friends of FJ Stallo Library, Friends of New Bremen Library, Friends of White Memorial Library, and Friends of New Knoxville Library. are not-for-profit organizations with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. Also, the organizations net assets do not exceed 5% of the Library's Net position. Therefore, these organizations have been excluded from the reporting entity of the Library.

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

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in the Basis of Accounting section of this note, the financial statements of the Auglaize County Public District Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The most significant of the Library's accounting policies are described below.

A. Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

1. Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Library as a whole. The statements present the Library's activities as governmental activities. Governmental activities generally are financed through taxes, inter-governmental receipts and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Library's general receipts.

2. Fund Financial Statements

During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

B. Fund Accounting

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Library's funds are all classified as governmental.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

Governmental funds are financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds:

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.

Building Fund - The building and repair fund accounts for and reports resources committed by the Board of Library Trustees specifically for building improvements or building leases.

The other governmental funds of the Library account for and report grants and other resources whose use is restricted, committed or assigned to a particular purpose.

C. Basis of Accounting

The Library's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Library's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Library are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, (except agency funds), are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carry-over balances from the prior year, set a limit on the amount the Trustees may appropriate. The estimated receipts may be revised during the year if projected increases or decreases in receipts are identified by the Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts of estimated resources at the time final appropriations were enacted by the Trustees.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Cash and Cash Equivalents

Library records identify the purchase of specific investments by specific funds.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2013, investments were limited to savings accounts and a nonnegotiable certificate of deposit.

The Library's savings accounts are recorded at the amounts reported by Chase Bank on December 31, 2013 and the certificate of deposit investment is recorded at the amount reported by First National Bank of New Bremen on December 31, 2013.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the general fund during 2013 amounted to \$4,469 which includes \$1,251 assigned from other funds.

F. Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. The Library did not have restricted assets.

G. Inventory and Prepaid Items

The Library reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Fund Balance

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

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-spendable - The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted - Fund balance is reported as 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 committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Library Trustees or a Library official delegated that authority by resolution, or by State Statute. Also included are subsequent year appropriations in excess of subsequent estimated receipts.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not contained 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.

J. Interfund Receivables/Payables

The Library reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The Library did not have advances during the year.

K. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Library's cash basis of accounting.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 6 and 7, the employer contributions include portions for pension benefits and for postretirement health care benefits.

M. Long-Term Obligations

The Library's cash basis financial statements do not report liabilities for long-term obligations. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

N. Net Position

Net position are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for a specific branch library location only.

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds (and after nonoperating receipts/disbursements in proprietary funds). Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Library did not have extraordinary or special items during the year.

3. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budget Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). The encumbrances outstanding at year end (budgetary basis) amounted to \$15, 401 for the general fund.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

4. DEPOSITS

Monies held by the Library are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Library treasury. Active monies must be maintained either as cash in the Library treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Library can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

4. DEPOSITS (Continued)

Investments may only be made through specified dealers and institutions. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the clerk/treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$3,187,166 of the Library's bank balance of \$3,455,202 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

The Library has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Library or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

The Library maintains petty cash of \$50.

5. RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2013, the Library contracted with The Ohio Plan for various types of insurance coverage as follows:

| <u>Company</u> | <u>Type of Coverage</u> | <u>Coverage</u> |
|--------------------------------------|-------------------------|-----------------|
| The Ohio Plan-Stolly Insurance Group | Commercial Property | \$4,178,931 |
| | General Liability | 4,000,000 |
| | Commercial Crime | 5,000 |
| | Errors and Omissions | 2,000,000 |
| | Library Materials | 2,819,645 |
| | Electronic Equipment | 168,145 |
| | Employee Benefits | 2,000,000 |

Settled claims have not exceeded this coverage in any of the last three years and there was no significant reduction in coverage from the prior year.

The Library pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

The Library provides health insurance for staff who work 30 or more hours per week through Structured Employee Benefits of Ohio and pays 85% of the employee share of the premium for a single policy for a full time employee and the prorated share for part time employees. The Library provides a \$15,000 life insurance policy for all employees who work 30 hours or more per week and pays 100% of that policy.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

6. DEFINED BENEFIT PENSION PLAN

Plan Description – The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2013, members in state and local classifications contributed 10 percent of covered payroll. Members in the state and local divisions may participate in all three plans. For 2013, member and employer contribution rates were consistent across all three plans.

The Library's 2013 contribution rate was 14.0 percent. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. For 2013, a portion of the Library's contribution equal to 1 percent of covered payroll was allocated to fund the post-employment health care plan. The Library's contributions for pension obligations to OPERS for the years ended December 31, 2013, 2012 and 2011 were \$70,030, \$47,512, and \$37,250, respectively; 100% has been contributed for all three years.

7. POST-EMPLOYMENT BENEFITS

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan—a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan—a defined contribution plan; and the Combined Plan—a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. The plan includes a medical plan, prescription drug program and Medicare Part B premium reimbursement.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

7. POST-EMPLOYMENT BENEFITS (Continued)

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)222-5601 or (800) 222-7377 or by visiting <https://www.opers.org/investments/cafr.shtml>.

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2013, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units.

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 1% during calendar year 2013. The portion of employer contributions allocated to health care for members in the Combined Plan was 1% during calendar year 2013. Effective January 1, 2014, the portion of employer contributions allocated to healthcare was raised to 2 % for both plans, as recommended by the OPERS Actuary. The OPERS Board to Trustees is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Library's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2013, 2012, and 2011 were \$5,387, \$19,005, and \$24,103, respectively; 100.00 percent has been contributed for all three years.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 % of the employer contributions toward the health care fund after the end of the transition period.

**AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

8. FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Library is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

| <u>Fund Balances</u> | <u>General</u> | <u>Fund</u> | <u>Funds</u> | <u>Total</u> |
|------------------------------------|----------------|-------------|--------------|--------------|
| Non-spendable | | | | |
| Trust Funds | | | \$17,939 | \$17,939 |
| Total Non-spendable | | | 17,939 | 17,939 |
| Restricted for | | | | |
| Memorial Funds | | | 25,704 | 25,704 |
| Total Restricted | | | 25,704 | 25,704 |
| Assigned to | | | | |
| Subsequent year budget deficit | \$312,352 | | | 312,352 |
| Unpaid Obligations | 15,401 | | | 15,401 |
| Buildings, Vehicles, and Computers | | \$721,475 | 195,594 | 917,069 |
| Total Assigned | 327,753 | 721,475 | 195,594 | 1,244,822 |
| Unassigned | 2,158,946 | 0 | | 2,158,946 |
| Total Fund Balances | \$2,486,699 | \$721,475 | \$239,237 | \$3,447,411 |

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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

Auglaize County Public District Library
Auglaize County
203 South Perry Street
Wapakoneta, Ohio 45895

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 governmental activities, each major fund, and the aggregate remaining fund information of the Auglaize County Public District Library, Auglaize County, (the Library) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated September 9, 2015, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

September 9, 2015



Dave Yost • Auditor of State

AUGLAIZE COUNTY PUBLIC DISTRICT LIBRARY

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 13, 2015**