

***AKRON SUMMIT COUNTY PUBLIC LIBRARY***

***SUMMIT COUNTY***

Audit Report

For the Years Ended December 31, 2017 and 2016







# Dave Yost • Auditor of State

Board of Trustees  
Akron-Summit County Public Library  
60 South High Street  
Akron, Ohio 44326

We have reviewed the *Independent Auditor's Report* of the Akron-Summit County Public Library, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2016 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Akron-Summit County Public Library is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

September 7, 2018

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*Akron/Summit County Public Library*  
*Summit County*  
*For the Years Ended December 31, 2017 and 2016*

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**INDEPENDENT AUDITOR'S REPORT**

Akron/Summit County Public Library  
Summit County  
60 South High Street  
Akron, Ohio 44326

To the Board of Trustees:

***Report on the Financial Statements***

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Akron/Summit County Public Library, Summit County, (the Library) as of and for the years ended December 31, 2017 and 2016, 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 the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 2. This responsibility includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Akron/Summit County Public Library, Summit County, as of December 31, 2017 and 2016, and the respective changes in cash basis financial position and the budgetary comparison for the General fund thereof for the years then ended in accordance with the cash basis of accounting described in Note 2.

***Basis of Accounting***

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which differs from generally accepted accounting principles. Our opinions are not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2018, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Library's 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.



***Charles E. Harris & Associates, Inc.***  
May 31, 2018

**AKRON/SUMMIT COUNTY PUBLIC LIBRARY**

*Statement of Net Position - Cash Basis*

*December 31, 2017*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 9,028,915
<i>Total Assets</i>	<u>9,028,915</u>
<b>Net Position</b>	
Restricted for:	
Debt Service	353,101
Unclaimed Monies	9,182
Forfeited Employee FSA	16,919
Permanent Fund Purpose:	
Expendable	9,209
Nonexpendable	435,825
Other Purposes	22,852
Unrestricted	<u>8,181,827</u>
<i>Total Net Position</i>	<u>\$ 9,028,915</u>

See accompanying notes to the financial statements.

**AKRON/SUMMIT COUNTY PUBLIC LIBRARY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2017*

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Library Services:				
Public Services and Programs	\$ 12,183,024	\$ 462,831	\$ 53,578	\$ (11,666,615)
Collection Development and Processing	4,541,129	-	2,887	(4,538,242)
Support Services:				
Facilities Operation and Maintenance	5,053,442	-	-	(5,053,442)
Information Services	422,320	-	-	(422,320)
Business Administration	3,228,730	-	-	(3,228,730)
Capital Outlay	275,094	-	-	(275,094)
Debt Service:				
Principal Retirement	4,520,000	-	-	(4,520,000)
Interest and Fiscal Charges	869,600	-	-	(869,600)
<b>Total Governmental Activities</b>	<b>\$ 31,093,339</b>	<b>\$ 462,831</b>	<b>\$ 56,465</b>	<b>(30,574,043)</b>
<b>General Receipts:</b>				
Property Taxes Levied for:				
General Purposes				13,325,896
Debt Service				4,819,131
Grants and entitlements not restricted to specific programs				13,982,573
Unrestricted Gifts and Contributions				350
Earnings on Investments				66,504
Miscellaneous				105,051
<b>Total General Receipts</b>				<b>32,299,505</b>
Change in Net Position				1,725,462
<i>Net Position Beginning of Year</i>				<u>7,303,453</u>
<i>Net Position End of Year</i>				<u><u>\$ 9,028,915</u></u>

See accompanying notes to the financial statements.

**AKRON/SUMMIT COUNTY PUBLIC LIBRARY**  
*Statement of Assets and Fund Balances- Cash Basis*  
*Governmental Funds*  
*December 31, 2017*

	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	<u>\$ 8,203,847</u>	<u>\$ 353,101</u>	<u>\$ 471,967</u>	<u>\$ 9,028,915</u>
<b>Fund Balances</b>				
Nonspendable	9,182	-	435,825	445,007
Restricted	16,919	353,101	32,061	402,081
Assigned	5,918,931	-	4,081	5,923,012
Unassigned	<u>2,258,815</u>	<u>-</u>	<u>-</u>	<u>2,258,815</u>
<i>Total Fund Balances</i>	<u>\$ 8,203,847</u>	<u>\$ 353,101</u>	<u>\$ 471,967</u>	<u>\$ 9,028,915</u>

See accompanying notes to the financial statements.

**AKRON/SUMMIT COUNTY PUBLIC LIBRARY**  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2017*

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 13,325,896	\$ 4,819,131	\$ -	\$ 18,145,027
Public Library Fund	11,648,614	-	-	11,648,614
Intergovernmental	1,695,146	638,813	-	2,333,959
Patron Fines and Fees	462,831	-	-	462,831
Contributions, Gifts and Donations	27,928	-	26,000	53,928
Earnings on Investments	66,504	-	2,887	69,391
Miscellaneous	105,051	-	-	105,051
<i>Total Receipts</i>	<u>27,331,970</u>	<u>5,457,944</u>	<u>28,887</u>	<u>32,818,801</u>
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	12,172,979	-	10,045	12,183,024
Collection Development and Processing	4,532,713	-	8,416	4,541,129
Support Services:				
Facilities Operation and Maintenance	5,053,442	-	-	5,053,442
Information Services	422,320	-	-	422,320
Business Administration	3,148,129	80,601	-	3,228,730
Capital Outlay	266,445	-	8,649	275,094
Debt Service:				
Principal Retirement	-	4,520,000	-	4,520,000
Interest and Fiscal Charges	-	869,600	-	869,600
<i>Total Disbursements</i>	<u>25,596,028</u>	<u>5,470,201</u>	<u>27,110</u>	<u>31,093,339</u>
<i>Net Change in Fund Balances</i>	1,735,942	(12,257)	1,777	1,725,462
<i>Fund Balances Beginning of Year</i>	<u>6,467,905</u>	<u>365,358</u>	<u>470,190</u>	<u>7,303,453</u>
<i>Fund Balances End of Year</i>	<u>\$ 8,203,847</u>	<u>\$ 353,101</u>	<u>\$ 471,967</u>	<u>\$ 9,028,915</u>

See accompanying notes to the financial statements.

**AKRON/SUMMIT COUNTY PUBLIC LIBRARY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budgetary Basis*  
*General Fund*  
*For the Year Ended December 31, 2017*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Receipts</b>				
Property and Other Local Taxes	\$ 12,553,860	\$ 12,681,550	\$ 13,325,896	\$ 644,346
Public Library Fund	12,148,978	11,625,972	11,648,614	22,642
Intergovernmental	2,043,652	2,064,438	1,695,146	(369,292)
Patron Fines and Fees	510,597	642,092	462,831	(179,261)
Contributions, Gifts and Donations	19,778	24,872	17,928	(6,944)
Earnings on Investments	64,348	80,919	58,328	(22,591)
Miscellaneous	97,228	122,267	88,132	(34,135)
<i>Total Receipts</i>	27,438,440	27,242,110	27,296,875	54,765
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	12,439,300	12,769,454	12,282,121	487,333
Collection Development and Processing	5,032,350	5,048,316	4,625,572	422,744
Support Services:				
Facilities Operation and Maintenance	5,327,225	5,397,000	5,248,535	148,465
Information Services	565,825	564,149	457,167	106,982
Business Administration	7,457,541	7,043,321	3,146,461	3,896,860
Capital Outlay	680,000	680,000	531,767	148,233
<i>Total Disbursements</i>	31,502,241	31,502,240	26,291,623	5,210,617
<i>Net Change in Fund Balance</i>	(4,063,801)	(4,260,130)	1,005,252	5,265,382
<i>Unencumbered Fund Balance Beginning of Year</i>	4,121,378	4,121,378	4,121,378	-
Prior Year Encumbrances Appropriated	397,455	397,455	397,455	-
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 455,032</u>	<u>\$ 258,703</u>	<u>\$ 5,524,085</u>	<u>\$ 5,265,382</u>

See accompanying notes to the financial statements.

**AKRON/SUMMIT COUNTY PUBLIC LIBRARY**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Fund*  
*December 31, 2017*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 7,754
<i>Total Assets</i>	<u>7,754</u>
<b>Net Position</b>	
Held on Behalf of Employees	<u>7,754</u>
<i>Total Net Position</i>	<u>\$ 7,754</u>

See accompanying notes to the financial statements.

# **Akron-Summit County Public Library**

## *Summit County*

### *Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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#### **Note 1 – Description of the Library and Reporting Entity**

The Akron-Summit County Public Library was organized as a county district library in 1874 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members, four of whom are appointed by the Summit County Executive and Council, and three whom are appointed by the Judges of the Court of Common Pleas. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing, being sued, contracting, acquiring, holding, possessing, and disposing of real property, and 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 that of the Fiscal Officer.

The Library is fiscally independent of the County, although the County serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy and the role and purpose(s) of the levy are discretionary decisions made solely by the Board of Trustees of the Library. Once those decisions are made, the County 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.

There are nineteen Friends groups associated with the Akron-Summit County Public Library: one for Main Library; one for each branch library; and one Council of Friends, which is an umbrella group for the other Friends groups. Each Friends group is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for these organizations, nor does the Library approve the budgets or the issuance of debt of these organizations. 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.

#### **Note 2 – Summary of Significant Accounting Policies**

As discussed further in the "Basis of Accounting" section of this note, these financial statements are 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. Following are the more significant of the Library's accounting policies.

##### ***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.

# Akron-Summit County Public Library

## Summit County

### Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

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#### Note 2 – Summary of Significant Accounting Policies (continued)

**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 library, except for fiduciary funds. The statements present the activities of the Library as governmental. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange transactions.

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 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, 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.

**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. Nonmajor funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

#### **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 divided into two categories: governmental and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions of the Library are financed. The following are the Library's major governmental funds:

**General Fund** The general fund accounts for and reports all financial resources not accounted for or 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.

**Bond Retirement Fund** The bond retirement fund accounts for and reports the receipt of property taxes and other resources received for the retirement of principal and interest on the Library's bond indebtedness.

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.

# Akron-Summit County Public Library

## Summit County

### Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

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#### **Note 2 – Summary of Significant Accounting Policies (continued)**

**Fiduciary Funds** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Agency funds are purely custodial in nature and are used to account for assets held by the Library for individuals, other governments or other organizations. The Library's agency fund accounts for employee deductions held to pay claims on the employee's behalf (Employee FSA accounts).

#### **Basis of Accounting**

The Library's financial statements are prepared using the cash basis of accounting. 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. As a result of the use of this cash basis of accounting, certain assets and their relative 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 expenses and liabilities) are not recorded in these financial statements.

#### **Budgetary Process**

All funds (except certain agency funds) are legally required to be appropriated. The appropriations resolution is the Board of Trustees' 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 the General Fund and at fund level for all other funds. Budgetary modifications above the legal level of control may only be made by resolution of the Board of Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carryover balances from the prior year, set a limit on the amount the Board of 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 Board of Trustees.

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 permanent appropriation for that fund including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Trustees during the year.

#### **Cash and Cash Equivalents**

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

## **Akron-Summit County Public Library**

### *Summit County*

#### *Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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### **Note 2 – Summary of Significant Accounting Policies (continued)**

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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. Investment procedures are restricted by the provisions of the Ohio Revised Code.

During 2017, the Library invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Library measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Library funds according to State statutes, grant requirements or debt related restrictions. Interest receipts credited to the General Fund during 2017 totaled \$66,504 which includes \$27,415 assigned from other Library funds.

### ***Restricted Assets***

Assets 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 externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Library are reported as restricted as well as the nonspendable portions of endowments.

### ***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.

## **Akron-Summit County Public Library**

*Summit County*

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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### **Note 2 – Summary of Significant Accounting Policies (continued)**

#### ***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.

#### ***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.

#### ***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 7 and 8. The employer contributions include portions for pension benefits and for postretirement health care benefits.

#### ***Long-Term Obligations***

The Library's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing sources nor capital outlays are reported at inception. Lease payments are reported when paid.

#### ***Net Position***

Net position is reported as restricted when there are limitations imposed on its 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 the benefit of Library programs and the purchase of certain materials.

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

#### ***Fund Balance***

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

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The Library's nonspendable fund balance includes unclaimed monies.

## Akron-Summit County Public Library

### Summit County

#### Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

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### Note 2 – Summary of Significant Accounting Policies (continued)

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

**Committed** The committed fund balance classification includes amounts that can be used only for specific purposes imposed by formal action (resolution) of the Board of Trustees. Those committed amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed 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 Board of Trustees or a Library official delegated that authority by resolution or by State statute. State Statute authorizes the Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Board of Trustees may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the General Fund.

**Unassigned** Unassigned fund balance is the residual classification for the General Fund and includes all spendable 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 disbursements 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 disbursement are incurred for purposes for which amounts in any of the unrestricted fund balance classifications may be used.

### Note 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 – Budgetary 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 between the budgetary basis and the cash basis are as follows:

1. Outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis).

**Akron-Summit County Public Library**

*Summit County*

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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**Note 3 – Budgetary Basis of Accounting (continued)**

2. Multiple funds are combined with the general fund in the financial statements to comply with the requirements of GASB Statement No. 54. The budgetary basis statement presents only the activity of the general fund.

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis are as follows:

<i>Net Change in Fund Balance</i>	
Cash basis	\$ 1,735,942
Outstanding encumbrances	(767,113)
Separately budgeted funds (GASB 54 Adjustment)	36,423
Budgetary basis	<u>\$ 1,005,252</u>

**Note 4 – Deposits and Investments**

State statutes classify monies held by the Library 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 monies that have been 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 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 the 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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**Akron-Summit County Public Library**

*Summit County*

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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**Note 4 – Deposits and Investments (continued)**

3. No-load money market mutual funds consisting exclusively of obligations described in (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;
4. Written repurchase agreements in the securities described in (1) or (2) 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.
5. Bonds and other obligations of the State of Ohio;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Commercial paper notes, limited to 40% (5% for a single issuer) in total of the interim monies available for investments at any one time and for a period not to exceed two hundred seventy days; and
8. Bankers acceptances, limited to 40% of the interim monies available for investment at any one time and for a period not to exceed one hundred eighty days.

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. 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.

At year end, the Library had \$2,400 of undeposited cash on hand which is included as part of “Equity in Pooled Cash and Cash Equivalents.”

***Deposits***

Custodial 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, the carrying amount of the Library’s deposits was \$9,034,269 and the bank balance was \$9,144,203. None of the bank balance was exposed to custodial credit risk.

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.

**Akron-Summit County Public Library**

*Summit County*

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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**Note 5 – Grants in Aid and Property Taxes**

***Grants in Aid***

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

***Property Taxes***

Property taxes include amounts levied against all real and public utility property located within Summit County. Property tax revenue received during 2017 for real and public utility property taxes represents collections of the 2016 taxes.

2017 real property taxes are levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31. If paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

In May 2015 the Library district's voters approved a 1.4 mil renewal and a 0.5 mil increase property tax levy for a six-year period with collections beginning in 2016.

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the county including the Library. The County Fiscal Officer periodically remits the Library's portion of the taxes collected.

## Akron-Summit County Public Library

### Summit County

#### Notes to the Basic Financial Statements

For the Year Ended December 31, 2017

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### Note 6 – 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 2017, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Cincinnati Insurance	Property – Main - Building	\$60,000,000
	Property – Branches - Building	\$32,300,000
	Property – Main - Contents	\$20,800,000
	Property – Branches - Contents	\$23,212,000
	Commercial Umbrella Liability	\$7,000,000
	Electronic Data Equipment	\$2,577,525
	Fine Arts	\$382,383
	Extra Expense	\$2,010,000
	General Liability, in aggregate	\$2,000,000
	General Liability, per occurrence	\$1,000,000
	Fleet Insurance, single limit	\$1,000,000
	Fleet Insurance, uninsured	\$1,000,000
	Employee Dishonesty	\$250,000
	Boiler and Machinery	Property Limits
	Flood	\$1,000,000
	Earthquake	\$5,000,000
	Bookmobile Contents	\$1,345,753
	Off Premises Services Interruption	\$250,000
	Philadelphia Insurance	Directors and Officers Liability
Employment Practices		\$3,000,000
Western Surety	Public Officials Bond	\$200,000

Settled claims have not exceeded 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 also provides health, dental and vision insurances to employees through private carriers.

**Akron-Summit County Public Library**

*Summit County*

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

**Note 7 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System (OPERS)***

Plan Description - Library employees participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Library employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to  January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups  and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

**Akron-Summit County Public Library**

*Summit County*

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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**Note 7 – Defined Benefit Pension Plan (continued)**

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
<b>2017 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2017 Actual Contribution Rates</b>	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	<u>1.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library's contractually required contribution was \$1,703,478 for year 2017.

**Note 8 – Postemployment Benefits**

***Ohio Public Employees Retirement System***

Plan Description - The 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.

## Akron-Summit County Public Library

### *Summit County*

#### *Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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### **Note 8 – Postemployment Benefits (continued)**

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care 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. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.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 postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 was at 1.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

**Akron-Summit County Public Library**

*Summit County*

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

**Note 8 – Postemployment Benefits (continued)**

Substantially all of the Library’s contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 was \$121,677, \$253,390, and \$333,071, respectively. The full amount has been contributed for all three years.

**Note 9 – Debt**

***Construction and Improvement of Facilities***

The Library’s long-term debt activity for the year ended December 31, 2017, was as follows:

	Interest Rate	Balance December 31, 2016	Additions	Reductions	Balance December 31, 2017	Due Within One Year
Library Improvement Bonds						
2011 Refunding	2.0%-5.0%	\$ 19,200,000	\$ -	\$ (4,520,000)	\$ 14,680,000	\$ 4,655,000
		\$ 19,200,000	\$ -	\$ (4,520,000)	\$ 14,680,000	\$ 4,655,000

Principal and interest requirements to retire the general obligation bonds outstanding at December 31, 2017 are as follows:

Year	Series 2011		
	Principal	Interest	Total
2018	\$ 4,655,000	\$ 734,000	\$ 5,389,000
2019	4,890,000	501,250	5,391,250
2020	5,135,000	256,750	5,391,750
	\$ 14,680,000	\$ 1,492,000	\$ 16,172,000

The Library Board of Trustees authorized the issuance of \$80,000,000 in Library Improvement Bonds in February 1998. Bonds totaling \$45,000,000 were issued in March 1998 and the remaining bonds totaling \$35,000,000 were issued in August 2002. These bonds were for the construction, renovation, and/or repair of the Main Library and fifteen of the Library’s branch locations.

In 2005 the Library did an advance refunding of the Series 1998A bonds. Outstanding bonds of \$22,515,000 were defeased and \$21,965,000 in new bonds were issued at lower interest rates saving the taxpayers nearly \$897,000 in interest over the life of the issue.

In 2011 the Library did an advance refunding of the Series 2002 bonds. Outstanding bonds of \$27,730,000 were defeased and \$26,225,000 in new bonds were issued at lower interest rates saving the taxpayers over \$2,600,000 over the life of the issue.

**Akron-Summit County Public Library**

*Summit County*

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

**Note 9 – Debt (continued)**

**Leases**

The Library entered into a lease for building space commencing June 2017 for 87 months with varying annual lease payments as listed below and a lease commencing in March 2017 for equipment, software and licensing for the Library’s phone system payable over the next 5 years with an annual lease payment of \$63,094. The expense for the 2017 lease payments was \$63,094. The future minimum payments for these leases are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$63,094
2019	63,094
2020	63,094
2021	63,094

**Note 10 – 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>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable</b>				
Unclaimed Funds	\$ 9,182	\$ -	\$ -	\$ 9,182
Barber Fund	-	-	10,000	10,000
Taylor Lerch Fund	-	-	425,825	425,825
Total Nonspendable	<u>9,182</u>	<u>-</u>	<u>435,825</u>	<u>445,007</u>
<b>Restricted</b>				
Donor Specified Purpose	-	-	32,061	32,061
Forfeited Employee FSA	16,919	-	-	16,919
Debt Service	-	353,101	-	353,101
Total Restricted	<u>16,919</u>	<u>353,101</u>	<u>32,061</u>	<u>402,081</u>
<b>Assigned</b>				
Debt Service	-	-	4,081	4,081
Subsequent Year Approp	5,151,818	-	-	5,151,818
Encumbrances	767,113	-	-	767,113
Total Assigned	<u>5,918,931</u>	<u>-</u>	<u>4,081</u>	<u>5,923,012</u>
Unassigned	<u>2,258,815</u>	<u>-</u>	<u>-</u>	<u>2,258,815</u>
<b>Total Fund Balances</b>	<b>\$ <u>8,203,847</u></b>	<b>\$ <u>353,101</u></b>	<b>\$ <u>471,967</u></b>	<b>\$ <u>9,028,915</u></b>

**Akron-Summit County Public Library**

*Summit County*

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2017*

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**Note 11 – Contingent Liabilities**

The Library may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, they believe the resolution of any matter will not materially adversely affect the Library's financial condition.

**AKRON-SUMMIT COUNTY PUBLIC LIBRARY**

*Statement of Net Position - Cash Basis*

*December 31, 2016*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 7,303,453
<i>Total Assets</i>	<u>7,303,453</u>
<b>Net Position</b>	
Restricted for:	
Debt Service	365,358
Unclaimed Monies	9,182
Forfeited Employee FSA	16,686
Permanent Fund Purpose:	
Expendable	30,310
Nonexpendable	435,825
Unrestricted	<u>6,446,092</u>
<i>Total Net Position</i>	<u>\$ 7,303,453</u>

See accompanying notes to the financial statements.

**AKRON-SUMMIT COUNTY PUBLIC LIBRARY**

*Statement of Activities - Cash Basis  
For the Year Ended December 31, 2016*

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
Current:				
Library Services:				
Public Services and Programs	\$ 12,220,092	\$ 474,892	\$ 55,925	\$ (11,689,275)
Collection Development and Processing	4,041,382	-	1,710	(4,039,672)
Support Services:				
Facilities Operation and Maintenance	4,481,764	-	-	(4,481,764)
Information Services	573,294	-	-	(573,294)
Business Administration	3,052,139	-	-	(3,052,139)
Capital Outlay	786,467	-	-	(786,467)
Debt Service:				
Principal Retirement	4,390,000	-	-	(4,390,000)
Interest and Fiscal Charges	1,001,300	-	-	(1,001,300)
<b>Total Governmental Activities</b>	<b>\$ 30,546,438</b>	<b>\$ 474,892</b>	<b>\$ 57,635</b>	<b>(30,013,911)</b>
General Receipts:				
Property Taxes Levied for:				
General Purposes				13,130,426
Debt Service				4,874,598
Grants and entitlements not restricted to specific programs				13,700,908
Unrestricted Gifts and Contributions				750
Earnings on Investments				34,223
Miscellaneous				287,683
<b>Total General Receipts</b>				<b>32,028,588</b>
Change in Net Position				2,014,677
Net Position Beginning of Year, Restated				5,288,776
Net Position End of Year				<b>\$ 7,303,453</b>

See accompanying notes to the financial statements.

**AKRON-SUMMIT COUNTY PUBLIC LIBRARY**  
*Statement of Assets and Fund Balances- Cash Basis*  
*Governmental Funds*  
*December 31, 2016*

	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	<u>\$ 6,467,905</u>	<u>\$ 365,358</u>	<u>\$ 470,190</u>	<u>\$ 7,303,453</u>
<b>Fund Balances</b>				
Nonspendable	9,182	-	435,825	445,007
Restricted	16,686	365,358	30,310	412,354
Assigned	1,709,304	-	4,055	1,713,359
Unassigned	<u>4,732,733</u>	<u>-</u>	<u>-</u>	<u>4,732,733</u>
<i>Total Fund Balances</i>	<u>\$ 6,467,905</u>	<u>\$ 365,358</u>	<u>\$ 470,190</u>	<u>\$ 7,303,453</u>

See accompanying notes to the financial statements.

**AKRON-SUMMIT COUNTY PUBLIC LIBRARY**  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2016*

	General Fund	Bond Retirement Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property and Other Local Taxes	\$ 13,130,426	\$ 4,874,598	\$ -	\$ 18,005,024
Public Library Fund	11,641,179	-	-	11,641,179
Intergovernmental	1,400,723	659,006	-	2,059,729
Patron Fines and Fees	461,897	-	-	461,897
Contributions, Gifts and Donations	55,675	-	1,000	56,675
Earnings on Investments	34,208	-	1,725	35,933
Miscellaneous	300,678	-	-	300,678
<i>Total Receipts</i>	27,024,786	5,533,604	2,725	32,561,115
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	12,100,022	-	120,070	12,220,092
Collection Development and Processing	4,025,665	-	15,717	4,041,382
Support Services:				
Facilities Operation and Maintenance	4,481,764	-	-	4,481,764
Information Services	573,294	-	-	573,294
Business Administration	2,960,373	91,766	-	3,052,139
Capital Outlay	786,467	-	-	786,467
Debt Service:				
Principal Retirement	-	4,390,000	-	4,390,000
Interest and Fiscal Charges	-	1,001,300	-	1,001,300
<i>Total Disbursements</i>	24,927,585	5,483,066	135,787	30,546,438
<i>Net Change in Fund Balances</i>	2,097,201	50,538	(133,062)	2,014,677
<i>Fund Balances Beginning of Year, Restated</i>	4,370,704	314,820	603,252	5,288,776
<i>Fund Balances End of Year</i>	\$ 6,467,905	\$ 365,358	\$ 470,190	\$ 7,303,453

See accompanying notes to the financial statements.

**AKRON-SUMMIT COUNTY PUBLIC LIBRARY**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budgetary Basis*  
*General Fund*  
*For the Year Ended December 31, 2016*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$ 12,519,551	\$ 12,639,109	\$ 13,130,426	\$ 491,317
Public Library Fund	11,958,379	11,694,711	11,641,179	(53,532)
Intergovernmental	2,038,067	2,057,529	1,400,723	(656,806)
Patron Fines and Fees	626,543	535,586	461,897	(73,689)
Contributions, Gifts and Donations	14,480	12,378	10,675	(1,703)
Earnings on Investments	39,820	34,039	29,356	(4,683)
Miscellaneous	407,857	348,647	300,678	(47,969)
<i>Total Receipts</i>	27,604,697	27,321,999	26,974,934	(347,065)
<b>Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	12,305,231	12,190,504	12,146,178	44,326
Collection Development and Processing	4,836,449	4,728,213	4,102,287	625,926
Support Services:				
Facilities Operation and Maintenance	5,070,991	4,950,821	4,682,775	268,046
Information Services	687,477	606,330	596,375	9,955
Business Administration	5,878,721	6,337,790	2,959,520	3,378,270
Capital Outlay	953,477	918,687	813,393	105,294
<i>Total Disbursements</i>	29,732,346	29,732,345	25,300,528	4,431,817
<i>Net Change in Fund Balance</i>	(2,127,649)	(2,410,346)	1,674,406	4,084,752
<i>Unencumbered Fund Balance Beginning of Year</i>	2,093,275	2,093,275	2,093,275	-
Prior Year Encumbrances Appropriated	353,697	353,697	353,697	-
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 319,323</u>	<u>\$ 36,626</u>	<u>\$ 4,121,378</u>	<u>\$ 4,084,752</u>

See accompanying notes to the financial statements.

**AKRON-SUMMIT COUNTY PUBLIC LIBRARY**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Fund*  
*December 31, 2016*

	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 19,714
<i>Total Assets</i>	<u>19,714</u>
<b>Net Position</b>	
Held on Behalf of Employees	<u>19,714</u>
<i>Total Net Position</i>	<u>\$ 19,714</u>

See accompanying notes to the financial statements.

# Akron-Summit County Public Library

## *Summit County*

### *Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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#### **Note 1 – Description of the Library and Reporting Entity**

The Akron-Summit County Public Library was organized as a county district library in 1874 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members, four of whom are appointed by the Summit County Executive and Council, and three whom are appointed by the Judges of the Court of Common Pleas. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing, being sued, contracting, acquiring, holding, possessing, and disposing of real property, and 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 that of the Fiscal Officer.

The Library is fiscally independent of the County, although the County serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy and the role and purpose(s) of the levy are discretionary decisions made solely by the Board of Trustees of the Library. Once those decisions are made, the County 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.

There are nineteen Friends groups associated with the Akron-Summit County Public Library: one for Main Library; one for each branch library; and one Council of Friends, which is an umbrella group for the other Friends groups. Each Friends group is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for these organizations, nor does the Library approve the budgets or the issuance of debt of these organizations. 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.

#### **Note 2 – Summary of Significant Accounting Policies**

As discussed further in the "Basis of Accounting" section of this note, the financial statements are 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. Following are the more significant of the Library's accounting policies.

##### ***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.

# Akron-Summit County Public Library

## Summit County

### Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

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#### Note 2 – Summary of Significant Accounting Policies (continued)

**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, except for fiduciary funds. The statements present the activities of the Library as governmental. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

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 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, 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.

**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. Nonmajor funds are aggregated and presented in a single column. The fiduciary fund is reported by type.

#### **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 divided into two categories: governmental and fiduciary.

**Governmental Funds** Governmental funds are those through which most governmental functions of the Library are financed. The following are the Library's major governmental funds:

**General Fund** The general fund accounts for and reports all financial resources not accounted for or 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.

**Bond Retirement Fund** The bond retirement fund accounts for and reports the receipt of property taxes and other resources received for the retirement of principal and interest on the Library's bond indebtedness.

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.

## Akron-Summit County Public Library

### Summit County

#### Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

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### Note 2 – Summary of Significant Accounting Policies (continued)

**Fiduciary Funds** Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Agency funds are purely custodial in nature and are used to account for assets held by the Library for individuals, other governments or other organizations. The Library's agency fund accounts for employee deductions held to pay claims on the employee's behalf (Employee FSA accounts).

#### **Basis of Accounting**

The Library's financial statements are prepared using the cash basis of accounting. 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. As a result of the use of this cash basis of accounting, certain assets and their relative 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 expenses and liabilities) are not recorded in these financial statements.

#### **Budgetary Process**

All funds (except certain agency funds) are legally required to be appropriated. The appropriations resolution is the Board of Trustees' 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 the General Fund and at fund level for all other funds. Budgetary modifications above the legal level of control may only be made by resolution of the Board of Trustees.

For control purposes, the Library estimates cash receipts for the year. These estimated receipts, together with the unencumbered carryover balances from the prior year, set a limit on the amount the Board of 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 Board of Trustees.

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 permanent appropriation for that fund including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Trustees during the year.

#### **Cash and Cash Equivalents**

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

## **Akron-Summit County Public Library**

### *Summit County*

#### *Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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### **Note 2 – Summary of Significant Accounting Policies (continued)**

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

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. Investment procedures are restricted by the provisions of the Ohio Revised Code.

During 2016, the Library invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost, except for STAR Ohio.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Library also implemented GASB Statement No. 79 for 2016. The implementation of this GASB pronouncement had no effect on beginning net position/fund balance. The Library measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Interest earnings are allocated to Library funds according to State statutes, grant requirements or debt related restrictions. Interest receipts credited to the General Fund during 2016 totaled \$34,208 which includes \$11,815 assigned from other Library funds.

#### ***Restricted Assets***

Assets 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 externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the Library are reported as restricted as well as the nonspendable portions of endowments.

#### ***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.

#### ***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.

## Akron-Summit County Public Library

### Summit County

#### Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

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### Note 2 – Summary of Significant Accounting Policies (continued)

#### *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.

#### *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 7 and 8. The employer contributions include portions for pension benefits and for postretirement health care benefits.

#### *Long-Term Obligations*

The Library's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing sources nor capital outlays are reported at inception. Lease payments are reported when paid.

#### *Net Position*

Net position is reported as restricted when there are limitations imposed on its 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 the benefit of Library programs and the purchase of certain materials.

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

#### *Fund Balance*

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

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The Library's nonspendable balance includes unclaimed monies.

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

## Akron-Summit County Public Library

### Summit County

#### Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

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### Note 2 – Summary of Significant Accounting Policies (continued)

**Committed** The committed fund balance classification includes amounts that can be used only for specific purposes imposed by formal action (resolution) of the Board of Trustees. Those committed amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed 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 Board of Trustees or a Library official delegated that authority by resolution or by State statute. State Statute authorizes the Fiscal Officer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The Board of Trustees may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

**Unassigned** Unassigned fund balance is the residual classification for the General Fund and includes all spendable 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 disbursements 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 disbursement are incurred for purposes for which amounts in any of the unrestricted fund balance classifications may be used.

### Note 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 – Budgetary 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 between the budgetary basis and the cash basis are as follows:

1. Outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis).
2. Multiple funds are combined with the general fund in the financial statements to comply with the requirements of GASB Statement No. 54. The budgetary basis statement presents only the activity of the general fund.

**Akron-Summit County Public Library**

*Summit County*

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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**Note 3 – Budgetary Basis of Accounting (continued)**

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the cash basis are as follows:

<i>Net Change in Fund Balance</i>	
Cash basis	\$ 2,097,201
Outstanding encumbrances	(397,457)
Separately budgeted funds (GASB 54 Adjustment)	(25,338)
Budgetary basis	<u>\$ 1,674,406</u>

**Note 4 – Deposits and Investments**

State statutes classify monies held by the Library 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 monies that have been 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 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 the 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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. No-load money market mutual funds consisting exclusively of obligations described in (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;

## Akron-Summit County Public Library

### *Summit County*

#### *Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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#### **Note 4 – Deposits and Investments (continued)**

4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) 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.

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.

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.

At year end, the Library had \$2,400 of undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

#### ***Deposits***

Custodial 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, the carrying amount of the Library's deposits was \$7,320,767 and the bank balance was \$7,763,906. None of the bank balance was exposed to custodial credit risk.

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.

**Akron-Summit County Public Library**

*Summit County*

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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**Note 5 – Grants in Aid and Property Taxes**

***Grants in Aid***

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

***Property Taxes***

Property taxes include amounts levied against all real and public utility property located within Summit County. Property tax revenue received during 2016 for real and public utility property taxes represents collections of the 2015 taxes.

2016 real property taxes are levied after October 1, 2016, on the assessed value as of January 1, 2016, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31. If paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes.

In May 2015 the Library district's voters approved a 1.4 mil renewal and a 0.5 mil increase property tax levy for a six-year period with collections beginning in 2016.

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the county including the Library. The County Fiscal Officer periodically remits the Library's portion of the taxes collected.

## Akron-Summit County Public Library

### Summit County

#### Notes to the Basic Financial Statements

For the Year Ended December 31, 2016

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### Note 6 – 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 2016, the Library contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage</u>
Cincinnati Insurance	Property – Main - Building	\$60,000,000
	Property – Branches - Building	\$32,300,000
	Property – Main - Contents	\$20,800,000
	Property – Branches - Contents	\$23,212,000
	Commercial Umbrella Liability	\$7,000,000
	Electronic Data Equipment	\$2,577,525
	Fine Arts	\$382,383
	Extra Expense	\$2,010,000
	General Liability, in aggregate	\$2,000,000
	General Liability, per occurrence	\$1,000,000
	Fleet Insurance, single limit	\$1,000,000
	Fleet Insurance, uninsured	\$1,000,000
	Employee Dishonesty	\$250,000
	Boiler and Machinery	Property Limits
	Flood	\$1,000,000
	Earthquake	\$5,000,000
	Bookmobile Contents	\$1,345,753
	Off Premises Services Interruption	\$250,000
	Philadelphia Insurance	Directors and Officers Liability
Employment Practices		\$3,000,000
Western Surety	Public Officials Bond	\$200,000

Settled claims have not exceeded 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 also provides health, dental and vision insurances to employees through private carriers.

**Akron-Summit County Public Library**

*Summit County*

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

**Note 7 – Defined Benefit Pension Plan**

***Ohio Public Employees Retirement System (OPERS)***

Plan Description - Library employees participate 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 and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Library employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced above for additional information):

<b>Group A</b>	<b>Group B</b>	<b>Group C</b>
Eligible to retire prior to  January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups  and members hired on or after January 7, 2013
<b>State and Local</b>	<b>State and Local</b>	<b>State and Local</b>
<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	<b>Age and Service Requirements:</b> Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	<b>Formula:</b> 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

**Akron-Summit County Public Library**

*Summit County*

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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**Note 7 – Defined Benefit Pension Plan (continued)**

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
<b>2016 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
<b>2016 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library's contractually required contribution was \$1,773,733 for year 2016.

**Note 8 – Postemployment Benefits**

***Ohio Public Employees Retirement System***

Plan Description - The 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.

## Akron-Summit County Public Library

### *Summit County*

#### *Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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### **Note 8 – Postemployment Benefits (continued)**

OPERS maintained two cost-sharing, multiple-employer defined benefit postemployment health care trusts, which funded multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care 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. See OPERS' CAFR referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.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 postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

At the beginning of 2016, OPERS maintained three health care trusts. The two cost-sharing, multiple employer trusts, the 401(h) Health Care Trust (401(h) Trust) and the 115 Health Care Trust (115 Trust), worked together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. Each year, the OPERS Board of Trustees determines the portion of the employer contributions rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0 percent for both the Traditional Pension and Combined plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) Trust that provides funding for a Retiree Medical Account (RMA) for Member-Directed Plan members. The employer contribution as a percentage of covered payroll deposited to the RMAs for 2016 was 4.0 percent.

**Akron-Summit County Public Library**

*Summit County*

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

**Note 8 – Postemployment Benefits (continued)**

In March 2016, OPERS received two favorable rulings from the IRS allowing OPERS to consolidate all health care assets into the 115 Trust. Transition to the new health care trust structure occurred during 2016. OPERS Combining Statements of Changes in Fiduciary Net Position for the year ended December 31, 2016, will reflect a partial year of activity in the 401(h) Trust and VEBA Trust prior to the termination of these trusts as of end of business day June 30, 2016, and the assets and liabilities, or net position, of these trusts being consolidated into the 115 Trust on July 1, 2016.

Substantially all of the Library’s contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$253,390, \$333,071, and \$224,953, respectively. The full amount has been contributed for all three years.

**Note 9 – Debt**

***Construction and Improvement of Facilities***

The Library’s long-term debt activity for the year ended December 31, 2016, was as follows:

	Interest Rate	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Due Within One Year
Library Improvement Bonds						
2011 Refunding	2.0%-5.0%	\$ 23,590,000	\$ -	\$ (4,390,000)	\$ 19,200,000	\$ 4,520,000
		\$ 23,590,000	\$ -	\$ (4,390,000)	\$ 19,200,000	\$ 4,520,000

Principal and interest requirements to retire the general obligation bonds outstanding at December 31, 2016 are as follows:

	Series 2011		
Year	Principal	Interest	Total
2017	\$ 4,520,000	\$ 869,600	\$ 5,389,600
2018	4,655,000	734,000	5,389,000
2019	4,890,000	501,250	5,391,250
2020	5,135,000	256,750	5,391,750
	\$ 19,200,000	\$ 2,361,600	\$ 21,561,600

The Library Board of Trustees authorized the issuance of \$80,000,000 in Library Improvement Bonds in February 1998. Bonds totaling \$45,000,000 were issued in March 1998 and the remaining bonds totaling \$35,000,000 were issued in August 2002. These bonds were for the construction, renovation, and/or repair of the Main Library and fifteen of the Library’s branch locations.

**Akron-Summit County Public Library**

*Summit County*

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

**Note 9 – Debt (continued)**

In 2005 the Library did an advance refunding of the Series 1998A bonds. Outstanding bonds of \$22,515,000 were defeased and \$21,965,000 in new bonds were issued at lower interest rates saving the taxpayers nearly \$897,000 in interest over the life of the issue.

In 2011 the Library did an advance refunding of the Series 2002 bonds. Outstanding bonds of \$27,730,000 were defeased and \$26,225,000 in new bonds were issued at lower interest rates saving the taxpayers over \$2,600,000 over the life of the issue.

**Leases**

The Library entered into a lease for a vehicle commencing May 2010 for 60 months and a lease for copiers commencing April 2013 for 48 months. The expense for the 2016 lease payments was \$8,328. The future minimum payments for these leases are as follows:

	<u>Year</u>	<u>Amount</u>
	2017	\$2,776

**Note 10 – 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>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable</b>				
Unclaimed Funds	\$ 9,182	\$ -	\$ -	\$ 9,182
Barber Fund	-	-	10,000	10,000
Taylor Lerch Fund	-	-	425,825	425,825
Total Nonspendable	<u>9,182</u>	<u>-</u>	<u>435,825</u>	<u>445,007</u>
<b>Restricted</b>				
Donor Specified Purpose	-	-	24,109	24,109
Forfeited Employee FSA	16,686	-	-	16,686
Debt Service	-	365,358	6,201	371,559
Total Restricted	<u>16,686</u>	<u>365,358</u>	<u>30,310</u>	<u>412,354</u>
<b>Assigned</b>				
Debt Service	-	-	4,055	4,055
Subsequent Year Appropriations	1,328,533	-	-	1,328,533
Encumbrances	397,457	-	-	397,457
Total Assigned	<u>1,709,304</u>	<u>-</u>	<u>4,055</u>	<u>1,713,359</u>
Unassigned	<u>4,732,733</u>	<u>-</u>	<u>-</u>	<u>4,732,733</u>
Total Fund Balances	\$ <u>6,467,905</u>	\$ <u>365,358</u>	\$ <u>470,190</u>	\$ <u>7,303,453</u>

**Akron-Summit County Public Library**

*Summit County*

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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**Note 11 – Contingent Liabilities**

The Library may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, they believe the resolution of any matter will not materially adversely affect the Library's financial condition.

**Note 12 – Subsequent Events**

In March 2017, the Library entered into a lease agreement for equipment, software and licensing for the Library's phone system payable over the next 5 years with an annual lease payment of \$63,094.

**Note 13 – Prior Period Restatement of Net Position**

During a review of the accounting system performed by the Fiscal Officer pursuant to the preparation of financial statements for filing, it was noted that an accounts payable balance totaling \$336,920 was incorrectly posted as an expense for 2015 instead of 2016, which is when the transaction should have been recorded in compliance with the Library's cash basis of accounting for reporting purposes. An adjustment was posted resulting in an increase in the general fund balance as of December 31, 2015 of \$336,920.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Akron/Summit County Public Library  
Summit County  
60 South High Street  
Akron, Ohio 44326

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining aggregate fund information of the Akron/Summit County Public Library, Summit County (the Library) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated May 31, 2018, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Library's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



***Charles E. Harris and Associates, Inc.***  
May 31, 2018

**Akron/Summit County Public Library**  
Summit County  
Schedule of Prior Audit Findings  
(Prepared by Management)  
December 31, 2017 and 2016

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2014-001	Cash Reconciliations	Corrective Action Taken and Finding is Fully Corrected	

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# Dave Yost • Auditor of State

**AKRON – SUMMIT COUNTY PUBLIC LIBRARY**

**SUMMIT 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  
SEPTEMBER 20, 2018**