



OHIO AUDITOR OF STATE
KEITH FABER



**EUCLID PUBLIC LIBRARY
CUYAHOGA COUNTY**

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EUCLID PUBLIC LIBRARY
CUYAHOGA COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Euclid Public Library
Cuyahoga County
631 East 222nd Street
Euclid, Ohio 44123

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 Euclid Public Library, Cuyahoga County, Ohio (the Library), as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Euclid Public Library, Cuyahoga County, Ohio, as of December 31, 2018 and 2017, and the respective changes in cash financial position and the budgetary comparisons for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Other Information

We applied no procedures to management's discussion & analysis listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2019, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

July 9, 2019

Euclid Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Year December 31, 2018
Unaudited

The management's discussion and analysis of the Euclid Public Library ("the Library") financial performance provides an overview of the Library's financial activities for the year ended December 31, 2018, within the limitations of the Library's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2018 are as follows:

- During 2018, property tax revenue continues to be the most significant revenue source as a result of the 5.6 mill operating levy passed in 2014.
- During 2018, disbursements increased from 2017 as a result of the Library spending more money on library support services.

Using the Basic Financial Statements

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

Report Components

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

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

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

Euclid Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Year December 31, 2018
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Basis of Accounting

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

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

Reporting the Library as a Whole

The statement of net position and the statement of activities reflect how the Library did financially during 2018, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental activity. Program receipts include patron fines and fees and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other non-financial factors as well, such as the Library's property tax base, the condition of the Library's capital assets, the extent of the Library's debt obligations, and the need for continued growth in the major local revenue sources such as property taxes and Public Library Fund (PLF).

In the statement of net position and the statement of activities, the Library reports governmental activities. All of the Library's programs and services are reported here, including general public services, purchased and contracted services, and the library materials and information. These services are primarily funded by property taxes and PLF. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Euclid Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Year December 31, 2018
Unaudited

Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds, not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that restricted use funds are being spent for their intended purposes. All of the Library's funds are accounted for as governmental funds.

Governmental Funds – The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's major governmental funds are presented on the financial statements in separate columns. The Library's major governmental funds are the general fund and the building fund. The Library's only non-major fund is the Library Services and Technology Act grant special revenue fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Library as a Whole

Table 1 provides a summary of the Library's net position for 2018 compared to 2017 on a cash basis:

(Table 1)
Net Position

	Governmental Activities		
	2018	2017	Change
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,376,890	\$5,029,006	\$347,884
Net Position			
Restricted for Other Purposes	\$0	\$582	(\$582)
Unrestricted	5,376,890	5,028,424	348,466
<i>Total Net Position</i>	\$5,376,890	\$5,029,006	\$347,884

Euclid Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Year December 31, 2018
Unaudited

Table 2 reflects the changes in net position in 2018 compared to 2017 on a cash basis:

(Table 2)
Changes in Net Position

	Governmental Activities		
	2018	2017	Change
Receipts:			
<i>Program Receipts</i>			
Charges for Services and Sales	\$97,801	\$97,439	\$362
Operating Grants and Contributions	0	4,715	(4,715)
<i>Total Program Receipts</i>	97,801	102,154	(4,353)
<i>General Receipts</i>			
Property Taxes	2,852,225	2,796,199	56,026
Grants and Entitlements not Restricted to Specific Programs	2,102,894	2,036,132	66,762
Unrestricted Contributions and Donations	118	2,586	(2,468)
Interest	88,432	40,575	47,857
Miscellaneous	51,473	35,789	15,684
<i>Total General Receipts</i>	5,095,142	4,911,281	183,861
<i>Total Receipts</i>	5,192,943	5,013,435	179,508
Disbursements:			
Current:			
General Library Services	4,727,460	4,526,296	(201,164)
Capital Outlay	117,599	76,970	(40,629)
<i>Total Disbursements</i>	4,845,059	4,603,266	(241,793)
Change in Net Position	347,884	410,169	(62,285)
Net Position Beginning of Year	5,029,006	4,618,837	410,169
Net Position End of Year	\$5,376,890	\$5,029,006	\$347,884

Property taxes and grants and entitlements receipts in 2018 are 95.42 percent of total receipts. Grants and entitlements increased, primarily due to increases in funding for the Public Library Fund. Contributions and donations decreased due to fewer donations received from supporters. Interest receipts increased during 2018 due to increased cash balances.

Disbursements for general library services represent the costs of running the Library. Disbursements for capital outlay represent costs for capital projects for the Library. Total disbursements increased in 2018 mainly due to the Library spending more on library services.

Euclid Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Year December 31, 2018
Unaudited

Governmental Activities

If you look at the statement of activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major disbursements for governmental activities are general library services and capital outlay. The next column of the statement, entitled 'Program Cash Receipts,' identifies amounts paid by those who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The 'Net (Disbursements)' column compares the program receipts to the cost of the service. This net cost amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)
Total and Net Cost of Program Services

	Governmental Activities			
	2018		2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Disbursements:				
General Library Services	\$4,727,460	\$4,629,659	\$4,526,296	\$4,424,142
Capital Outlay	117,599	117,599	76,970	76,970
<i>Total Disbursements</i>	<i>\$4,845,059</i>	<i>\$4,747,258</i>	<i>\$4,603,266</i>	<i>\$4,501,112</i>

The Library's Funds

Total governmental funds had receipts in 2018 of \$5,192,943, and disbursements of \$4,845,059. The fund balance of the general fund increased \$358,460 in 2018, due to receipts exceeding disbursements. The fund balance of the building fund decreased \$9,994 in 2018, due to disbursements exceeding receipts.

General Fund Budgeting Highlights

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

During 2018, the Library's general fund budget was stable. Final disbursements for 2018 were budgeted at \$5,114,862, while actual disbursements were \$4,957,291. Maintaining actual disbursements below projected levels allowed the Library to minimize cash decreases to the general fund during this period.

Euclid Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Year December 31, 2018
Unaudited

Debt Administration

At December 31, 2018, the Library had no debt obligations.

Current Issues

The challenge for all Ohio libraries is to provide quality services to meet public demands while staying within the restrictions of State funding. The Library relies heavily on property taxes and the PLF revenue. Even though the Library has stable funds, it is dependent on funding from the State to remain in this position.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to David Piskac, Fiscal Officer, Euclid Public Library, 631 East 222nd Street, Euclid, Ohio 44123.

Euclid Public Library
Cuyahoga County
Statement of Net Position - Cash Basis
December 31, 2018

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,376,890</u>
Net Position	
Unrestricted	<u>\$5,376,890</u>

See accompanying notes to the basic financial statements

Euclid Public Library
Cuyahoga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2018

	Cash Disbursements	Program Cash Receipts	Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Governmental Activities
Governmental Activities			
General Library Services	\$4,727,460	\$97,801	(\$4,629,659)
Capital Outlay	117,599	0	(117,599)
<i>Total Governmental Activities</i>	<u>\$4,845,059</u>	<u>\$97,801</u>	<u>(4,747,258)</u>
General Receipts			
Property Taxes Levied for General Purposes			2,852,225
Grants and Entitlements not Restricted to Specific Programs			2,102,894
Unrestricted Contributions and Donations			118
Interest			88,432
Miscellaneous			51,473
<i>Total General Receipts</i>			<u>5,095,142</u>
Change in Net Position			347,884
<i>Net Position Beginning of Year</i>			<u>5,029,006</u>
<i>Net Position End of Year</i>			<u>\$5,376,890</u>

See accompanying notes to the basic financial statements

Euclid Public Library
Cuyahoga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2018

	General	Building Fund	Total Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,324,771	\$2,052,119	\$5,376,890
Fund Balances			
Assigned	\$122,808	\$2,052,119	\$2,174,927
Unassigned	3,201,963	0	3,201,963
<i>Total Fund Balances</i>	<u>\$3,324,771</u>	<u>\$2,052,119</u>	<u>\$5,376,890</u>

See accompanying notes to the basic financial statements

Euclid Public Library
Cuyahoga County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General	Building Fund	Other Governmental Fund	Total Governmental Funds
Receipts				
Property Taxes	\$2,852,225	\$0	\$0	\$2,852,225
Intergovernmental	2,102,894	0	0	2,102,894
Patron Fines and Fees	97,801	0	0	97,801
Contributions and Donations	118	0	0	118
Interest	88,432	0	0	88,432
Miscellaneous	51,473	0	0	51,473
<i>Total Receipts</i>	<u>5,192,943</u>	<u>0</u>	<u>0</u>	<u>5,192,943</u>
Disbursements				
Current:				
General Library Services	4,726,878	0	582	4,727,460
Capital Outlay	107,605	9,994	0	117,599
<i>Total Disbursements</i>	<u>4,834,483</u>	<u>9,994</u>	<u>582</u>	<u>4,845,059</u>
<i>Net Change in Fund Balances</i>	358,460	(9,994)	(582)	347,884
<i>Fund Balances Beginning of Year</i>	<u>2,966,311</u>	<u>2,062,113</u>	<u>582</u>	<u>5,029,006</u>
<i>Fund Balances End of Year</i>	<u><u>\$3,324,771</u></u>	<u><u>\$2,052,119</u></u>	<u><u>\$0</u></u>	<u><u>\$5,376,890</u></u>

See accompanying notes to the basic financial statements

Euclid Public Library
Cuyahoga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$2,683,854	\$2,946,945	\$2,852,225	(\$94,720)
Intergovernmental	1,904,711	2,098,683	2,102,894	4,211
Patron Fines and Fees	99,556	108,578	97,801	(10,777)
Contributions and Donations	992	1,003	118	(885)
Interest	24,272	32,429	88,432	56,003
Miscellaneous	33,682	61,430	51,473	(9,957)
<i>Total Receipts</i>	4,747,067	5,249,068	5,192,943	(56,125)
Disbursements				
Current:				
General Library Services	4,934,604	4,957,604	4,837,631	119,973
Capital Outlay	157,258	157,258	119,660	37,598
<i>Total Disbursements</i>	5,091,862	5,114,862	4,957,291	157,571
<i>Net Change in Fund Balance</i>	(344,795)	134,206	235,652	101,446
<i>Fund Balance Beginning of Year</i>	2,797,128	2,797,128	2,797,128	0
Prior Year Encumbrances Appropriated	169,183	169,183	169,183	0
<i>Fund Balance End of Year</i>	\$2,621,516	\$3,100,517	\$3,201,963	\$101,446

See accompanying notes to the basic financial statements

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Euclid Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 1 – Description of the Library and Reporting Entity

The Euclid Public Library, Cuyahoga County, (the “Library”) was organized as a school district public library in 1935 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Euclid City School District’s Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, possessing and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by Sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

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

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board (“GASB”), “The Financial Reporting Entity,” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”, and GASB Statement No. 61, “The Financial Reporting Entity Omnibus – an Amendment of GASB Statement No. 14 and No. 34”, the Library is considered to be a related organization of the Euclid City School District.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. Component units may also include organizations for which the Library approves the budget, the issuance of debt of the levying of taxes. The Library does not have any component units.

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 this note, the financial statements of the Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (“GAAP”). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (“GASB”) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The most significant of the Library’s accounting policies are as follows.

Euclid Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Basis of Presentation

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

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. These statements usually distinguish between those activities of the Library that are governmental and those that are considered business-type. However, the Library has only governmental activities; therefore, no business-type activities are presented.

The statement of net position present the cash balances of the governmental activities of the Library at year-end. The statement of activities compare 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. Program receipts include charges paid by the recipient of the program's goods or services, grants, and contributions restricted to meeting the operational or capital requirements of a particular program. 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. Non-major funds are aggregated and presented in a single column.

Fund Accounting

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

Governmental Funds Governmental funds are financed primarily from taxes, intergovernmental receipts, and other non-exchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds.

General Fund The general fund accounts for and reports all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

Building Fund The building fund accounts for and reports revenues derived from Board approved transfers from the general fund. These monies are unrestricted and have been assigned to major capital and technology improvements.

Euclid Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Basis of Accounting

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

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

Budgetary Process

All funds are legally required to be budgeted and appropriated. The budgetary process is prescribed by provisions of the Ohio Administrative Code and entails the preparation of budgetary documents within an established timetable. The Ohio Administrative Code section 117-8 does not require public libraries to budget receipts. However, sound budget practice suggests a government cannot appropriate responsibly unless they have an estimate of resources to support the appropriations. The Board must annually approve appropriations measures and subsequent amendments. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates.

The certificate of estimated resources establishes a limit on the amount the Board of Trustees may appropriate. The appropriations resolution is the Board of Trustees' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board of Trustees. The legal level of control has been established by the Board of Trustees at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Trustees. The Fiscal Officer has been given authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Fiscal Officer. The amounts reported as the original and final budgeted amounts on the budgetary statement reflects the amounts in the original and final amended certificate in effect at the time original and final appropriations were passed.

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

Euclid Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased are 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.

During 2018, the Library invested 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 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, 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 2018 was \$88,432 which includes \$33,751 assigned from other Library funds.

Inventory and Prepays

The Library reports disbursements for inventory 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.

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.

Euclid Public Library
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 8 and 9, the employer contributions include portions for pension benefits.

Net Position

Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

Fund Balance

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

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

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library 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 Library 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.

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

Euclid Public Library
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For the Year Ended December 31, 2018

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

Interfund Transactions

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities.

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

Note 3 – 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. At year end, \$122,808 was assigned due to encumbrances in the general fund and the remaining \$3,201,963 was unassigned for a total general fund balance of \$3,324,771. At year end, the building fund had an assigned balance of \$2,052,119 for capital projects.

Note 4 – 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 is outstanding year-end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding, for the general fund at December 31, 2018 (budgetary basis), amounted to \$122,808.

Note 5 – 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.

Euclid Public Library

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*Notes to the Basic Financial Statements
For the Year Ended December 31, 2018*

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

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

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

1. United States Treasury bills, bonds notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other 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;
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 including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy 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.

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*Notes to the Basic Financial Statements
For the Year Ended December 31, 2018*

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. Except as noted above, an investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

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

Deposits

Custodial Credit Risk Custodial credit risk 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, \$214,683 of the Library's total bank balance of \$679,366 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The Library's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance through the Ohio Pooled Collateral System.

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 the Library and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State

Interest Rate Risk The Library has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date purchased, unless matched to a specific obligation or debt of the Library, and that an investment must be purchased with the exception that it will be held to maturity.

Note 6 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Library's taxing district. Property tax revenue received during 2018 for real and public utility property taxes represents collections of 2017 taxes.

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

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*Notes to the Basic Financial Statements
For the Year Ended December 31, 2018*

Real property taxes are payable annually or semi-annually. If paid annually, 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. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2018 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2018, was \$5.60 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

	<u>Assessed Value</u>
Real Property	\$ 532,140,150
Public Utility Property	<u>23,303,290</u>
Total Assessed Value	<u>\$ 555,443,440</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Library. The County Fiscal Officer periodically remits to the Library its portion of the taxes collected.

Note 7 – 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 2018, the Library contracted with various companies for different types of insurance coverages as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Amount</u>
Ohio Plan Risk Management	Commercial Property	\$8,957,350
	General Liability	\$2,000,000/\$4,000,000
	Library Materials	\$6,685,130
	Automobile	\$2,000,000
	Errors and Omissions	\$2,000,000/\$4,000,000
	Inland Marine	\$485,602
	Cyber Liability	\$250,000
	Crime	\$10,000
Fidelity	Fiscal Officer Bond	\$50,000
Selective Insurance	Deputy Fiscal Officer Bond	\$50,000

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.

Euclid Public Library
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

Note 8 – Defined Benefit Pension Plan

Plan Description – 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 combination cost-sharing, multiple-employer defined benefit /defined contribution pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional and combined plans. 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 in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
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
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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Notes to the Basic Financial Statements

For the Year Ended December 31, 2018

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 traditional plan 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. Members retiring under the combined plan receive a cost-of-living adjustment of the defined benefit portion of their pension benefit. 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.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2018 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits **	0.0
 Total Employer	 14.0 %
 Employee	 10.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. For 2018, the Library’s contractually required contribution was \$335,312 for the traditional plan and \$367 for the member-directed plan.

Note 9 – 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.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Euclid Public Library
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Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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 75. 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 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2018, OPERS did not allocate any employer contribution to health care for members in the Traditional Pension Plan and Combined Plan. The OPERS 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 employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library's contractually required contribution was \$147 for 2018.

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Library are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$122,808 in the general fund.

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Euclid Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Year December 31, 2017
Unaudited

The management's discussion and analysis of the Euclid Public Library ("the Library") financial performance provides an overview of the Library's financial activities for the year ended December 31, 2017, within the limitations of the Library's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Library's financial performance.

Highlights

Key highlights for 2017 are as follows:

- During 2017, property tax revenue continues to be the most significant revenue source as a result of the 5.6 mill operating levy passed in 2014.
- During 2017, disbursements decreased from 2016 as a result of the Library spending less money on library support services.

Using the Basic Financial Statements

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

Report Components

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

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

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

Euclid Public Library
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Basis of Accounting

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

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

Reporting the Library as a Whole

The statement of net position and the statement of activities reflect how the Library did financially during 2017, within the limitations of the cash basis of accounting. The statement of net position presents the cash balances of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental activity. Program receipts include patron fines and fees and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other non-financial factors as well, such as the Library's property tax base, the condition of the Library's capital assets, the extent of the Library's debt obligations, and the need for continued growth in the major local revenue sources such as property taxes and Public Library Fund (PLF).

In the statement of net position and the statement of activities, the Library reports governmental activities. All of the Library's programs and services are reported here, including general public services, purchased and contracted services, and the library materials and information. These services are primarily funded by property taxes and PLF. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Euclid Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Year December 31, 2017
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Reporting the Library's Most Significant Funds

Fund financial statements provide detailed information about the Library's major funds, not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that restricted use funds are being spent for their intended purposes. All of the Library's funds are accounted for as governmental funds.

Governmental Funds – The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's major governmental funds are presented on the financial statements in separate columns. The Library's major governmental funds are the general fund and the building fund. The Library's only non-major fund is the Library Services and Technology Act grant special revenue fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Library as a Whole

Table 1 provides a summary of the Library's net position for 2017 compared to 2016 on a cash basis:

	Net Position		
	<u>Governmental Activities</u>		
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,029,006	\$4,618,837	\$410,169
Net Position			
Restricted for Other Purposes	\$582	\$0	\$582
Unrestricted	5,028,424	4,618,837	409,587
<i>Total Net Position</i>	<u>\$5,029,006</u>	<u>\$4,618,837</u>	<u>\$410,169</u>

Euclid Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Year December 31, 2017
Unaudited

Table 2 reflects the changes in net position in 2017 compared to 2016 on a cash basis:

(Table 2)
Changes in Net Position

	Governmental Activities		
	2017	2016	Change
Receipts:			
<i>Program Receipts</i>			
Charges for Services and Sales	\$97,439	\$87,566	\$9,873
Operating Grants and Contributions	4,715	0	4,715
<i>Total Program Receipts</i>	<u>102,154</u>	<u>87,566</u>	<u>14,588</u>
<i>General Receipts</i>			
Property Taxes	2,796,199	2,871,066	(74,867)
Grants and Entitlements not Restricted to Specific Programs	2,036,132	2,032,804	3,328
Unrestricted Contributions and Donations	2,586	5,350	(2,764)
Interest	40,575	28,201	12,374
Miscellaneous	35,789	19,187	16,602
<i>Total General Receipts</i>	<u>4,911,281</u>	<u>4,956,608</u>	<u>(45,327)</u>
<i>Total Receipts</i>	<u>5,013,435</u>	<u>5,044,174</u>	<u>(30,739)</u>
Disbursements:			
Current:			
General Library Services	4,526,296	4,566,247	39,951
Capital Outlay	76,970	86,751	9,781
<i>Total Disbursements</i>	<u>4,603,266</u>	<u>4,652,998</u>	<u>49,732</u>
Change in Net Position	410,169	391,176	18,993
Net Position Beginning of Year	<u>4,618,837</u>	<u>4,227,661</u>	<u>391,176</u>
Net Position End of Year	<u><u>\$5,029,006</u></u>	<u><u>\$4,618,837</u></u>	<u><u>\$410,169</u></u>

Property taxes and grants and entitlements receipts in 2017 are 96.39 percent of total receipts. Grants and entitlements increased, primarily due to increases in funding for the Public Library Fund. Contributions and donations decreased due to fewer donations received from supporters. Interest receipts increased during 2017 due to increased cash balances.

Disbursements for general library services represent the costs of running the Library. Disbursements for capital outlay represent costs for capital projects for the Library. Total disbursements decreased in 2017 mainly due to the Library spending less on library services.

Euclid Public Library
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Management's Discussion and Analysis
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Unaudited

Governmental Activities

If you look at the statement of activities, you will see that the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. The major disbursements for governmental activities are general library services and capital outlay. The next column of the statement, entitled 'Program Cash Receipts,' identifies amounts paid by those who are directly charged for the service and grants received by the Library that must be used to provide a specific service. The 'Net (Disbursements)' column compares the program receipts to the cost of the service. This net cost amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)
Total and Net Cost of Program Services

	Governmental Activities			
	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Disbursements:				
General Library Services	\$4,526,296	\$4,424,142	\$4,566,247	\$4,478,681
Capital Outlay	76,970	76,970	86,751	86,751
<i>Total Disbursements</i>	<u>\$4,603,266</u>	<u>\$4,501,112</u>	<u>\$4,652,998</u>	<u>\$4,565,432</u>

The Library's Funds

Total governmental funds had receipts in 2017 of \$5,013,435, and disbursements (excluding transfers) of \$4,603,266. The fund balance of the general fund decreased \$31,394 in 2017, primarily due to a transfer to the building fund. The fund balance of the building fund increased \$440,981 in 2017, primarily due to the same transfer. The transfer was for future renovations and building fund uses.

General Fund Budgeting Highlights

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

During 2017, the Library's general fund budget was stable. Final disbursements for 2017 were budgeted at \$5,181,418, while actual disbursements were \$4,709,297. Maintaining actual disbursements below projected levels allowed the Library to minimize cash decreases to the general fund during this period.

Euclid Public Library
Cuyahoga County
Management's Discussion and Analysis
For the Year December 31, 2017
Unaudited

Debt Administration

At December 31, 2017, the Library had no debt obligations.

Current Issues

The challenge for all Ohio libraries is to provide quality services to meet public demands while staying within the restrictions of State funding. The Library relies heavily on property taxes and the PLF revenue. Even though the Library has stable funds, it is dependent on funding from the State to remain in this position.

Contacting the Library's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Library's finances and to reflect the Library's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to David Piskac, Fiscal Officer, Euclid Public Library, 631 East 222nd Street, Euclid, Ohio 44123.

Euclid Public Library
Cuyahoga County
Statement of Net Position - Cash Basis
December 31, 2017

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$5,029,006</u>
Net Position	
Restricted for Other Purposes	\$582
Unrestricted	<u>5,028,424</u>
<i>Total Net Position</i>	<u>\$5,029,006</u>

See accompanying notes to the basic financial statements

Euclid Public Library
Cuyahoga County
Statement of Activities - Cash Basis
For the Year Ended December 31, 2017

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Library Services	\$4,526,296	\$97,439	\$4,715	(\$4,424,142)
Capital Outlay	76,970	0	0	(76,970)
<i>Total Governmental Activities</i>	<u>\$4,603,266</u>	<u>\$97,439</u>	<u>\$4,715</u>	<u>(4,501,112)</u>
General Receipts				
Property Taxes Levied for General Purposes				2,796,199
Grants and Entitlements not Restricted to Specific Programs				2,036,132
Unrestricted Contributions and Donations				2,586
Interest				40,575
Miscellaneous				35,789
<i>Total General Receipts</i>				<u>4,911,281</u>
Change in Net Position				410,169
<i>Net Position Beginning of Year</i>				<u>4,618,837</u>
<i>Net Position End of Year</i>				<u>\$5,029,006</u>

See accompanying notes to the basic financial statements

Euclid Public Library
Cuyahoga County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2017

	General	Building Fund	Other Governmental Fund	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,966,311	\$2,062,113	\$582	\$5,029,006
Fund Balances				
Restricted	\$0	\$0	\$582	\$582
Assigned	169,183	2,062,113	0	2,231,296
Unassigned	2,797,128	0	0	2,797,128
<i>Total Fund Balances</i>	<u>\$2,966,311</u>	<u>\$2,062,113</u>	<u>\$582</u>	<u>\$5,029,006</u>

See accompanying notes to the basic financial statements

Euclid Public Library
Cuyahoga County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General	Building Fund	Other Governmental Fund	Total Governmental Funds
Receipts				
Property Taxes	\$2,796,199	\$0	\$0	\$2,796,199
Intergovernmental	2,036,132	0	3,215	2,039,347
Patron Fines and Fees	97,439	0	0	97,439
Contributions and Donations	2,586	0	1,500	4,086
Interest	40,575	0	0	40,575
Miscellaneous	35,789	0	0	35,789
<i>Total Receipts</i>	<u>5,008,720</u>	<u>0</u>	<u>4,715</u>	<u>5,013,435</u>
Disbursements				
Current:				
General Library Services	4,522,163	0	4,133	4,526,296
Capital Outlay	17,951	59,019	0	76,970
<i>Total Disbursements</i>	<u>4,540,114</u>	<u>59,019</u>	<u>4,133</u>	<u>4,603,266</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>468,606</u>	<u>(59,019)</u>	<u>582</u>	<u>410,169</u>
Other Financing Sources (Uses)				
Transfers In	0	500,000	0	500,000
Transfers Out	(500,000)	0	0	(500,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(500,000)</u>	<u>500,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(31,394)	440,981	582	410,169
<i>Fund Balances Beginning of Year</i>	<u>2,997,705</u>	<u>1,621,132</u>	<u>0</u>	<u>4,618,837</u>
<i>Fund Balances End of Year</i>	<u><u>\$2,966,311</u></u>	<u><u>\$2,062,113</u></u>	<u><u>\$582</u></u>	<u><u>\$5,029,006</u></u>

See accompanying notes to the basic financial statements

Euclid Public Library
Cuyahoga County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$2,897,995	\$2,897,995	\$2,796,199	(\$101,796)
Intergovernmental	2,043,213	2,043,213	2,036,132	(7,081)
Patron Fines and Fees	106,100	106,100	97,439	(8,661)
Contributions and Donations	5,000	5,000	2,586	(2,414)
Interest	18,000	18,000	40,575	22,575
Miscellaneous	18,899	18,899	35,789	16,890
<i>Total Receipts</i>	5,089,207	5,089,207	5,008,720	(80,487)
Disbursements				
Current:				
General Library Services	5,581,543	5,133,878	4,661,757	472,121
Capital Outlay	60,000	47,540	47,540	0
<i>Total Disbursements</i>	5,641,543	5,181,418	4,709,297	472,121
<i>Excess of Receipts Over (Under) Disbursements</i>	(552,336)	(92,211)	299,423	391,634
Other Financing Uses				
Transfers Out	0	(500,000)	(500,000)	0
<i>Net Change in Fund Balance</i>	(552,336)	(592,211)	(200,577)	391,634
<i>Fund Balance Beginning of Year</i>	0	2,925,319	2,925,319	0
Prior Year Encumbrances Appropriated	0	72,386	72,386	0
<i>Fund Balance End of Year</i>	(\$552,336)	\$2,405,494	\$2,797,128	\$391,634

See accompanying notes to the basic financial statements

Euclid Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 1 – Description of the Library and Reporting Entity

The Euclid Public Library, Cuyahoga County, (the “Library”) was organized as a school district public library in 1935 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Euclid City School District’s Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, possessing and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by Sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

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

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board (“GASB”), “The Financial Reporting Entity,” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”, and GASB Statement No. 61, “The Financial Reporting Entity Omnibus – an Amendment of GASB Statement No. 14 and No. 34”, the Library is considered to be a related organization of the Euclid City School District.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. Component units may also include organizations for which the Library approves the budget, the issuance of debt of the levying of taxes. The Library does not have any component units.

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 this note, the financial statements of the Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (“GAAP”). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (“GASB”) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The most significant of the Library’s accounting policies are as follows.

Euclid Public Library

Cuyahoga County

Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Basis of Presentation

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

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. These statements usually distinguish between those activities of the Library that are governmental and those that are considered business-type. However, the Library has only governmental activities; therefore, no business-type activities are presented.

The statement of net position present the cash balances of the governmental activities of the Library at year-end. The statement of activities compare 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. Program receipts include charges paid by the recipient of the program's goods or services, grants, and contributions restricted to meeting the operational or capital requirements of a particular program. 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. Non-major funds are aggregated and presented in a single column.

Fund Accounting

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

Governmental Funds Governmental funds are financed primarily from taxes, intergovernmental receipts, and other non-exchange transactions. Monies are assigned to the various governmental funds according to the purposes for which they may or must be used. The following are the Library's major governmental funds.

General Fund The general fund accounts for and reports all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.

Building Fund The building fund accounts for and reports revenues derived from Board approved transfers from the general fund. These monies are unrestricted and have been assigned to major capital and technology improvements.

Euclid Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Basis of Accounting

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

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

Budgetary Process

All funds are legally required to be budgeted and appropriated. The budgetary process is prescribed by provisions of the Ohio Administrative Code and entails the preparation of budgetary documents within an established timetable. The Ohio Administrative Code section 117-8 does not require public libraries to budget receipts. However, sound budget practice suggests a government cannot appropriate responsibly unless they have an estimate of resources to support the appropriations. The Board must annually approve appropriations measures and subsequent amendments. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates.

The certificate of estimated resources establishes a limit on the amount the Board of Trustees may appropriate. The appropriations resolution is the Board of Trustees' authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board of Trustees. The legal level of control has been established by the Board of Trustees at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Trustees. The Fiscal Officer has been given authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Fiscal Officer. The amounts reported as the original and final budgeted amounts on the budgetary statement reflects the amounts in the original and final amended certificate in effect at the time original and final appropriations were passed.

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

Euclid Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Investments of the Library's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the Library are presented on the financial statements as cash equivalents.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the general fund during 2017 amounted to \$40,575, \$16,642 of which was assigned from other Library funds.

Inventory and Prepaids

The Library reports disbursements for inventory 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.

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 8 and 9, the employer contributions include portions for pension benefits.

Net Position

Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

Fund Balance

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

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

Euclid Public Library

Cuyahoga County

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2017*

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Library Trustees. Those committed amounts cannot be used for any other purpose unless the Library 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 Library 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.

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

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

Interfund Transactions

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities.

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

Note 3 – 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. At year end, \$169,183 was assigned due to encumbrances in the general fund and the remaining \$2,797,128 was unassigned for a total general fund balance of \$2,966,311. At year end, the building fund had an assigned balance of \$2,062,113 for capital projects. At year end, other governmental funds had a restricted fund balance of \$582 for the Library Services and Technology Act grant.

Euclid Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 4 – 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 is outstanding year-end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding for the general fund at December 31, 2017 (budgetary basis), amounted to \$169,183.

Note 5 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association. 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 division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

Euclid Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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 listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Library, and must be purchased with the expectation that it will be held to maturity.

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

Deposits

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; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be one hundred two percent of the deposits being secured or a rate set by the Treasurer of State.

Interest Rate Risk The Library has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date purchased, unless matched to a specific obligation or debt of the Library, and that an investment must be purchased with the exception that it will be held to maturity.

Euclid Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

Note 6 – Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Library’s taxing district. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes were 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 2017.

Real property taxes are payable annually or semi-annually. If paid annually, 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 which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2017 with real property taxes.

The full tax rate for all Library operations for the year ended December 31, 2017, was \$5.60 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

	Assessed Value
Real Property	\$ 537,164,000
Public Utility Property	21,846,670
Total Assessed Value	\$ 559,010,670

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Library. The County Fiscal Officer periodically remits to the Library its portion of the taxes collected.

Note 7 – 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 various companies for different types of insurance coverages as follows:

Company	Coverage	Amount
Ohio Plan Risk Management	Commercial Property	\$8,957,350
	General Liability	\$2,000,000/\$4,000,000
	Library Materials	\$6,685,130
	Automobile	\$2,000,000
	Errors and Omissions	\$2,000,000/\$4,000,000
	Inland Marine	\$488,601
	Cyber Liability	\$250,000
Fidelity	Crime	\$10,000
	Fiscal Officer Bond	\$50,000
Selective Insurance	Deputy Fiscal Officer Bond	\$50,000

Euclid Public Library
Cuyahoga County
Notes to the Basic Financial Statements
For the Year Ended December 31, 2017

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.

Note 8 – Defined Benefit Pension Plan

Plan Description – 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, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
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
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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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
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
 2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The Library's contractually required contribution was \$287,679 for year 2017.

Note 9 – 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.

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In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement 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. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance. (The latest information available.)

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. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. The OPERS 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 employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

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 \$20,549, \$48,106 and \$43,358 respectively. The full amount has been contributed for all years.

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Note 10 – Interfund Transactions

Interfund Transfers

The general fund transferred \$500,000 to the building fund for future renovations and building fund uses.

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Library are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 – Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$169,183 in the general fund and \$198 in the Library Services and Technology Act grant special revenue fund.

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

Euclid Public Library
Cuyahoga County
631 East 222nd Street
Euclid, Ohio 44123

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Euclid Public Library, Cuyahoga County, Ohio (the Library) as of and for the s ended December 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated July 9, 2019, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

July 9, 2019

OHIO AUDITOR OF STATE KEITH FABER



EUCLID PUBLIC LIBRARY

CUYAHOGA 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
AUGUST 1, 2019**