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**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY
Regular Audit
For the Years Ended December 31, 2016 and 2015**

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- Association of Certified Anti - Money Laundering Specialists •



Dave Yost • Auditor of State

Board of Trustees
Hurt Battelle Memorial Library
270 Lily Chapel Road
West Jefferson, Ohio 43162

We have reviewed the *Independent Auditor's Report* of the Hurt Battelle Memorial Library, Madison County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2015 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

September 1, 2017

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MADISON COUNTY
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MADISON COUNTY
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INDEPENDENT AUDITOR'S REPORT

June 30, 2017

Hurt Battelle Memorial Library
Summit County
270 Lilly Chapel Road
West Jefferson, OH 43162

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities and General Fund of **Hurt Battelle Memorial Library, Madison County** (the Library), as of and for the years ended December 31, 2016 and 2015, 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

The Library's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash-basis of accounting described in Note 2; this includes determining that the modified cash-basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities and the General Fund of Hurt Battelle Memorial Library, Madison County, as of December 31, 2016 and 2015, and the respective changes in modified cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

We draw attention to Note 2 of the financial statements, which describes the accounting basis. The financial statements are prepared on the modified 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, as 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 June 30, 2017, 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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

Hurt Battelle Memorial Library
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

This discussion and analysis of the Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2016 within the limitations of the Library's modified 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 2016 were as follows:

Total net position as of December 31, 2016 was \$1,123,049, an increase of \$53,532, or 4.76% from 2015. The total PLF Revenue received in 2016 and 2015 was \$317,271 and \$318,820 a decrease of \$1,549.

The Board of Trustees requested the Jefferson Local School Board request a renewal of the 5 year 1.5 mil levy for current expenses. This 5 year renewal began for tax year 2014 with collections to commence 2015. This renewal passed by 72% of the voters who voted in the general election. During 2016 the Library received \$256,651 of tax revenue. Without this tax revenue library services would have been severely slashed. The Library Board of Trustees is grateful to the Community for their support.

Using the Basic Financial Statements

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

Report Components

The statement of net position and the statement of activities provide information about the modified 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 which the use is restricted to a particular specified purpose. These statements present financial information by fund.

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

Basis of Accounting

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

As a result of using the modified 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 modified cash-basis of accounting.

Hurt Battelle Memorial Library
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Reporting the Library as a Whole

The statement of net position and the statement of activities reflect how the Library did financially during 2016, within the limitations of the modified cash-basis accounting. The statement of net position presents the cash balances of the governmental activities of the Library at year end. PLF made up 50%, Property Taxes made up 40%, and the final 10% consists of charges for services, gifts and unrestricted donations, interest and miscellaneous receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the modified 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 reliance on property tax receipts and PLF funding, the condition of the Library's assets and the extent of the Library's debt obligations or absence thereof.

In the statement of net position and the statement of activities, the assets and activity of the Library are represented as Governmental Activities. All of the Library's basic services are reported here.

Reporting the Library's Most Significant Funds

The Library has one governmental fund – General Fund.

Governmental Funds - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's only major governmental fund is the General Fund.

The Library as a Whole

Table 1 provides a summary of the Library's net position for 2016 compared to 2015 on a modified cash-basis:

(Table 1)
Net Position

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Assets		
Cash and Cash Equivalents	<u>\$1,123,049</u>	<u>\$1,069,517</u>
Total Assets	<u><u>\$1,123,049</u></u>	<u><u>\$1,069,517</u></u>
Net Position		
Unrestricted	<u>\$ 1,123,049</u>	<u>\$ 1,069,517</u>
Total Net Position	<u><u>\$1,123,049</u></u>	<u><u>\$1,069,517</u></u>

Hurt Battelle Memorial Library
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

As mentioned previously, total net position increased \$53,532, or 4.76% from 2015. The primary reasons contributing to the increases in cash balances are as follows:

- Tax levy
- Consistency in the PLF
- Unrestricted Donations

Table 2 reflects the changes in net position on a modified cash-basis in 2016 and 2015 for Library activities.

(Table 2)
Changes in Net Position

	Library Activities	
	2016	2015
Receipts:		
Program Receipts:		
Charges for Services	\$ 9,776	\$ 11,384
Operating Grants and Contributions	5,725	-
Total Program Receipts	<u>15,501</u>	<u>11,384</u>
General Receipts:		
Property & Other Local Taxes	256,651	251,068
Unrestricted Gifts and Contributions	1,179	688,435
Contributions, Gifts & Donations not Restricted to Specific Programs	346,157	347,885
Earnings on Investments	3,956	1,412
Miscellaneous	12,679	2,600
Total General Receipts	<u>620,622</u>	<u>1,291,400</u>
Total Receipts	<u>636,123</u>	<u>1,302,784</u>
Disbursements:		
Library Services	227,352	227,238
Support Services	274,009	360,969
Debt Service:		
Principal Retirement	45,000	40,000
Interest and Fiscal Charges	36,230	38,950
Total Disbursements	<u>582,591</u>	<u>667,157</u>
Increase (Decrease) in Net Position	<u>53,532</u>	<u>635,627</u>
<i>Net Position, January 1, 2016</i>	<u>1,069,517</u>	<u>433,890</u>
<i>Net Position, December 31, 2016</i>	<u>\$ 1,123,049</u>	<u>\$ 1,069,517</u>

Hurt Battelle Memorial Library
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Governmental Activities

The majority of the Library's disbursements are for public service and programs, which are library and support services. The only exception is the payment of the notes for debt reduction.

The Program Receipts portion of each statement of activities identifies amounts of revenues directly received and generated for a specific program of the Library. Charges for services and sales are the fines and fees paid by library patrons and operating grants and contributions are gifts and donations contributed for a specific purpose.

The Net Receipts (Disbursements) column on each statement compares the program receipts to the costs of the services. This "Net Cost" amount represents the cost of the services, which ends up being paid from the money provided by general receipts, which for the Library are primarily PLF and Property Taxes as 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)

Governmental Activities

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Library Services	\$227,352	\$211,851	\$227,238	\$215,854
Support Services	274,009	274,009	360,969	360,969
Debt Service				
Principal Retirement	45,000	45,000	40,000	40,000
Interest and Fiscal Charges:	36,230	36,230	38,950	38,950
Total Expenses	\$582,591	\$567,090	\$667,157	\$655,773

The Library's Funds

Total governmental fund had receipts of \$636,123 and disbursements of \$582,591 for 2016. The fund balance of the General Fund increased as the result of revenue from the tax levy, donations and from the Public Library Fund.

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 only budgeted fund is the General Fund.

Final disbursements for 2016 were budgeted at \$656,405 while actual disbursements were \$582,591. The Library was conservative in spending in 2016 and continues to save most of the unrestricted donations for future needs of the library.

Hurt Battelle Memorial Library
Management's Discussion and Analysis
For the Year Ended December 31, 2016
Unaudited

Capital Assets and Debt Administration

Capital Assets

The Library does not currently have Capital Assets.

Debt

As of December 31, 2016 the Library's outstanding debt stands at \$530,000 which is to be paid in installments through 2025.

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by funding which is composed mostly of the General Tax Levy and the PLF. The Ohio Department of Taxation estimated (December, 2015) that the anticipated PLF revenue for 2016 would be \$334,168. The December, 2015 Estimate of Property Tax Revenue from the Madison County Auditor was \$281,659 with a recommendation to only use 90% for the 2016 budget. The Board of Trustees took a conservative approach with the 2016 budget by only appropriating 40% of the Unencumbered Cash Balance as of January 1, 2016 plus the Estimated Revenues for 2016. The Board recognizes that it is important that the Library have some cash reserves for an emergency.

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 Sherrie Beane, Fiscal Officer, Hurt/Battelle Memorial Library of West Jefferson, 270 Lilly Chapel Road, West Jefferson, OH 43162.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

*Statement of Net Position - Modified Cash Basis
December 31, 2016*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 1,123,049
<i>Total Assets</i>	<u>1,123,049</u>
Net Position	
Unrestricted	<u>1,123,049</u>
<i>Total Net Position</i>	<u>\$ 1,123,049</u>

See accompanying notes to the basic financial statements

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**
*Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2016*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Total
Governmental Activities					
Current:					
Library Services:	\$ 227,352	\$ 9,776	\$ 5,725	\$ (211,851)	(211,851)
Support Services:	274,009	-	-	(274,009)	(274,009)
Debt Service:					
Principal Retirement	45,000	-	-	(45,000)	(45,000)
Interest and Fiscal Charges	36,230	-	-	(36,230)	(36,230)
Total Governmental Activities	582,591	9,776	5,725	(567,090)	(567,090)
General Receipts:					
Property Taxes Levied for General Purposes				256,651	256,651
Unrestricted Gifts and Contributions				1,179	1,179
Grants/Entitlements not Restricted to Specific Programs				346,157	346,157
Earnings on Investments				3,956	3,956
Miscellaneous				12,679	12,679
Total General Receipts				620,622	620,622
Change in Net Position				53,532	53,532
<i>Net Position Beginning of Year</i>				1,069,517	1,069,517
<i>Net Position End of Year</i>				\$ 1,123,049	\$ 1,123,049

See accompanying notes to the basic financial statements

HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Fund
December 31, 2016

	<u>General Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 1,123,049</u>
<i>Total Assets</i>	<u>1,123,049</u>
Fund Balances	
Assigned	96,100
Unassigned	<u>1,026,949</u>
<i>Total Fund Balances</i>	<u>\$ 1,123,049</u>

See accompanying notes to the basic financial statements

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

*Statement of Receipts, Disbursements, And
Changes in Fund Balance - Modified Cash Basis
Governmental Fund
For the Year Ended December 31, 2016*

	General Fund
Cash Receipts	
Property and Other Local Taxes	\$ 256,651
Public Library	317,271
Intergovernmental	28,886
Patron Fines and Fees	9,776
Contributions, Gifts and Donations	6,904
Earnings on Investments	3,956
Miscellaneous	12,679
<i>Total Cash Receipts</i>	636,123
Cash Disbursements	
Current:	
Library Services:	227,352
Support Services:	274,009
Debt Service:	
Principal Retirement	45,000
Interest and Fiscal Charges	36,230
<i>Total Cash Disbursements</i>	582,591
<i>Net Change in Fund Cash Balance</i>	53,532
<i>Fund Cash Balance, January 1</i>	1,069,517
Fund Cash Balance, December 31	
Assigned	96,100
Unassigned	1,026,949
<i>Fund Cash Balance, December 31</i>	\$ 1,123,049

See accompanying notes to the basic financial statements

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2016*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 218,792	\$ 218,792	\$ 256,651	\$ 37,859
Public Library	300,000	300,000	317,271	17,271
Intergovernmental	29,000	29,000	28,886	(114)
Patron Fines and Fees	10,500	10,500	9,776	(724)
Contributions, Gifts and Donations	4,300	4,300	6,904	2,604
Earnings on Investments	1,500	1,500	3,956	2,456
Miscellaneous	5,000	5,000	12,679	7,679
<i>Total Receipts</i>	<u>569,092</u>	<u>569,092</u>	<u>636,123</u>	<u>67,031</u>
Disbursements				
Current:				
Library Services:	242,095	242,295	227,352	14,943
Support Services:	313,080	319,997	274,009	45,988
Debt Service:				
Principal Retirement	45,000	45,000	45,000	-
Interest and Fiscal Charges	36,230	36,230	36,230	-
<i>Total Disbursements</i>	<u>636,405</u>	<u>643,522</u>	<u>582,591</u>	<u>60,931</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(67,313)</u>	<u>(74,430)</u>	<u>53,532</u>	<u>127,962</u>
Other Financing Sources (Uses)				
Other Financing Uses	(20,000)	(12,883)	-	12,883
<i>Total Other Financing Sources (Uses)</i>	<u>(20,000)</u>	<u>(12,883)</u>	<u>-</u>	<u>12,883</u>
<i>Net Change in Fund Balance</i>	(87,313)	(87,313)	53,532	140,845
<i>Unencumbered Fund Balance Beginning of Year</i>	1,068,953	1,068,953	1,068,953	-
Prior Year Encumbrances Appropriated	564	564	564	-
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 982,204</u>	<u>\$ 982,204</u>	<u>\$ 1,123,049</u>	<u>\$ 140,845</u>

See accompanying notes to the basic financial statements

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

Note 1 – Description of the Library and Reporting Entity

The Hurt Battelle Memorial Library is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library has its own Board of Trustees of seven members appointed by the Jefferson Local School District 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, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

The Library is fiscally independent of the Board of Education, although the Board of Education 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 Board of Education.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the Ohio School District.

Related Organizations

The Friends of the Hurt Battelle Memorial Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The economic resources received or held by the Friends of the Hurt Battelle Memorial Library are not significant to the Hurt Battelle Memorial Library.

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in the "Basis of Accounting" section of this note, the financial statements of the Hurt Battelle Memorial Library have been prepared on a modified cash-basis of accounting. This modified 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 modified cash-basis of accounting.

Basis of Presentation

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

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Government-wide Financial Statement The statement of net position and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts and other non-exchange transactions.

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

Fund Financial Statements Fund financial statements are designed to present financial information of the Library at a more detailed level. The focus of governmental fund financial statements is on major funds. The Library accounted for transactions in a General Fund only during 2016.

Fund Accounting

The Library uses a general fund 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 fund is classified as governmental.

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

General Fund The General Fund accounts for all financial resources except those required to be accounted for 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.

Basis of Accounting

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

As a result of the use of this modified 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 appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and character or major category of the object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgetary Process (Continued)

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

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

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."

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 2016, the Library invested in STAR Ohio and Star Plus.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Library also implemented GASB Statement No. 79 for 2016. The implementation of this GASB pronouncement had no effect on beginning net position/fund balance. 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 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to Library funds according to State statutes. Interest receipts credited to the General Fund during 2016 was \$3,956.

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

Note 2 - Summary of Significant Accounting Policies (Continued)

Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. The Library has no restricted assets at December 31, 2016.

Inventory and Prepaid Items

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

Capital Assets

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

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 modified cash-basis of accounting.

Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Library's modified cash-basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

Net Position

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

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

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

Note 3 – Budgetary Basis of Accounting

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

Note 4 – Deposits and Investments

State statutes classify monies held by the Library into three categories.

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

Inactive deposits are public 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.

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

Note 4 – Deposits and Investments (Continued)

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 bonds and other obligations of political subdivisions of the State of Ohio;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and
8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. 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 clerk/treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end the Library had \$105 (used as petty cash) in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

Note 4 – Deposits and Investments (Continued)

Investments

As of December 31, 2016, the Library had the following investments:

	Carrying Value	Maturity
Star Ohio	\$ 166,828	Average
Star Plus	884,837	Average
Total Investments	<u>\$ 1,051,665</u>	

Interest Rate Risk Interest rate risk arises because the fair value of investment changes as interest rates change. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit Risk STAR Ohio carries a rating of AAA by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Note 5 – Grants in Aid and Property Taxes

Grants in Aid

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month using the statutory allocation method. Estimated entitlement figures were issued to County Auditors. The actual current year entitlements were computed in December of the current year. The difference between the estimate and actual will be adjusted evenly in the PLF distributions made from January-June of the subsequent year. The County Budget Commission bases the amount for distribution on a formula as developed by mutual agreement by all libraries within the county. The County Budget Commission cannot reduce its allocation of these funds based on any additional revenues the Library receives.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Library. Property tax revenue received during 2016 for real and public utility property taxes represents collections of 2015 taxes. Property tax payments received during 2016 for tangible personal property (other than public utility property) is for 2016 taxes.

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

Real property taxes are payable annually or semi-annually. If paid annually, 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.

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

Note 5 – Grants in Aid and Property Taxes (Continued)

Property Taxes (Continued)

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

The full tax rate for all Library operations for the year ended December 31, 2016, was \$1.50 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2016 property tax receipts were based are as follows:

Real Property	\$ 137,006,750
Other Real Value	45,309,700
Public Utility Property	15,503,450
Total Assessed Values	\$ 197,819,900

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

Note 6 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2016, the Library's insurance coverage is as follows:

Company	Type of Coverage	Coverage
France & Associates	Commercial Property	\$3,260,594
France & Associates	General Liability	1,000,000

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

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

Note 7 - 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.

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

Note 7 - Defined Benefit Pension Plan (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

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 Services Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Services Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Services Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula:	Formula:	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	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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.

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

Note 7 - Defined Benefit Pension Plan (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

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

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

Total required employer contributions for all plans are equal to 100% of employer charges. The Library's contribution rate for 2016 was 14% of covered payroll. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Library of 14%.

The Library's contractually required contribution was \$35,573 for year 2016.

Note 8 - Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

Note 8 - Postemployment Benefits (Continued)

Ohio Public Employees Retirement System (Continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0 percent of earnable salary 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.

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

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

Substantially all of the Library's contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2016, 2015, and 2014 was \$5,082, \$5,045, and \$4,793, respectively. The full amount has been contributed for all three years.

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

Note 9 – Debt

Notes Payable

A summary of the note transactions for the year ended December 31, 2016, follows:

Governmental Activities	Interest Rate	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Due Within One Year
Faculty Note - 2000 Issue	4.75 - 6.6%	\$ 575,000.00	\$ -	\$ 45,000.00	\$ 530,000.00	\$ 45,000.00

The Library issued Library Facilities Notes in the amount of \$999,000 during 2000. These notes were issued to construct an expansion of the Library building and renovations of the entire Library. The Library backs the securities from money received from the PLF, which is funded through the State of Ohio. A tax levy was passed for 2010 and renewed for 2015 to offset depleting PLF funding in order to maintain revenue to cover the debt. These notes are for the duration of twenty five (25) years with varying interest rates of 4.75-6.6%. A summary of the Library's future long-term debt funding requirements, including principal and interest payments, as of December 31, 2016 follows:

Years	Principal	Interest
2017	\$ 45,000	\$ 33,350
2018	50,000	30,310
2019	50,000	27,060
2020	55,000	23,595
2021-2025	330,000	57,090
Total	\$ 530,000	\$ 171,405

Note 10 – Fund Balances

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

Fund Balance	General Fund
Assigned to	
2017 Appropriations and Carryover	\$ 96,100
Unassigned	1,026,949
<i>Total Fund Balances</i>	<u>\$ 1,123,049</u>

In accordance with GASB 54, when the appropriation measure is adopted for the subsequent year, if a portion of the existing fund balance is included as a budgetary resource, then that portion of the fund balance should be classified as assigned. \$96,100 of the December 31, 2016 ending fund balance is needed for the 2017 Appropriation Budget and thus \$1,026,949 the December 31, 2016 fund balance is classified as unassigned.

Hurt Battelle Memorial Library
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

This discussion and analysis of the Library's financial performance provides an overall review of the Library's financial activities for the year ended December 31, 2015 within the limitations of the Library's modified 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 2015 are as follows:

Total net position as of December 31, 2015 was \$1,069,517, an increase of \$635,627, or 123% from 2014. The total PLF Revenue received in 2015 and 2014 was \$318,820 and \$287,265 an increase of \$31,555.

The Board of Trustees requested the Jefferson Local School Board request a renewal of the 5 year 1.5 mil levy for current expenses. This 5 year renewal begins for tax year 2014 with collections to commence 2015. This renewal passed by 72% of the voters who voted in the general election. The County Auditor certified that this 1.5 mil levy would generate approximately \$291,611 of tax revenue to be collected in 2015. During 2015 the Library received \$251,068 of tax revenue. Without this tax revenue library services would have been severely slashed. The Library Board of Trustees is grateful to the Community for their support.

The Library received an unrestricted donation in the amount of \$685,784 from the Estate of Halstead Stettler during 2015.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Library's modified 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 which the use is restricted to a particular specified purpose. These statements present financial information by fund.

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

Basis of Accounting

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

As a result of using the modified 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 modified cash-basis of accounting.

Hurt Battelle Memorial Library
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Reporting the Library as a Whole

The statement of net position and the statement of activities reflect how the Library did financially during 2015, within the limitations of modified cash-basis accounting. The statement of net position presents the cash balances of the governmental activities of the Library at year end. PLF made up 24%, Property Taxes made up 22%, and an Unrestricted Estate Donation made up 53% of the receipts received. The other 1% consists of charges for services, gifts and unrestricted donations, interest and miscellaneous receipts. The library received an unrestricted donation of \$685,784 from the Estate of Halstead Stettler during 2015.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the modified 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 reliance on property tax receipts and PLF funding, the condition of the Library's assets and the extent of the Library's debt obligations or absence thereof.

In the statement of net position and the statement of activities, the assets and activity of the Library are represented as Governmental Activities. All of the Library's basic services are reported here.

Reporting the Library's Most Significant Funds

The Library has one governmental fund – General Fund:

Governmental Funds - All of the Library's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Library's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Library's programs. The Library's only major governmental fund is the General Fund.

The Library as a Whole

Table 1 provides a summary of the Library's net position for 2015 compared to 2014 on a modified cash-basis:

(Table 1)
Net Position

	Governmental Activities	
	2015	2014
Assets		
Cash and Cash Equivalents	\$1,069,517	\$433,890
Total Assets	\$1,069,517	\$433,890
 Net Position		
Unrestricted	\$ 1,069,517	\$ 433,890
Total Net Position	\$1,069,517	\$433,890

Hurt Battelle Memorial Library
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

As mentioned previously, total net position increased \$635,627 or 123% during 2015. The primary reasons contributing to the increases in cash balances are as follows:

- Tax levy
- Increase in PLF
- Unrestricted Donations

Table 2 reflects the changes in net position on a modified cash-basis in 2015 and 2014 for Library activities.

(Table 2)
Changes in Net Position

	Library Activities	
	2015	2014
Receipts:		
Program Receipts:		
Charges for Services	\$ 11,384	\$ 11,328
Operating Grants and Contributions	-	50
Total Program Receipts	<u>11,384</u>	<u>11,378</u>
General Receipts:		
Property & Other Local Taxes	251,068	251,761
Unrestricted Gifts and Contributions	688,435	57,546
Contributions, Gifts & Donations not Restricted to Specific Programs	347,885	316,817
Earnings on Investments	1,412	283
Miscellaneous	2,600	3,637
Total General Receipts	<u>1,291,400</u>	<u>630,044</u>
Total Receipts	<u>1,302,784</u>	<u>641,422</u>
Disbursements:		
Library Services	227,238	216,730
Support Services	360,969	221,886
Debt Service:		
Principal Retirement	40,000	40,000
Interest and Fiscal Charges	38,950	41,510
Total Disbursements	<u>667,157</u>	<u>520,126</u>
Increase (Decrease) in Net Position	<u>635,627</u>	<u>121,296</u>
<i>Net Position, January 1, 2015</i>	433,890	312,595
<i>Net Position, December 31, 2015</i>	<u>\$ 1,069,517</u>	<u>\$ 433,891</u>

Governmental Activities

The majority of the Library's disbursements are for public service and programs, which are library and support services. The only exception is the payment of the notes for debt reduction.

The Program Receipts portion of each Statement of Activities identifies amounts of revenues directly received and generated for a specific program of the Library. Charges for services and sales are the fines and fees paid by library patrons and operating grants and contributions are gifts and donations contributed for a specific purpose.

Hurt Battelle Memorial Library
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

The Net Receipts (Disbursements) column on each statement compares the program receipts to the costs of the services. This "Net Cost" amount represents the cost of the services, which ends up being paid from the money provided by general receipts, which for the Library are primarily PLF and Property Taxes as 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)

Governmental Activities

	Total Cost of Services 2015	Net Cost of Services 2015	Total Cost of Services 2014	Net Cost of Services 2014
Library Services	\$ 227,238	\$ 215,854	\$ 216,730	\$ 205,352
Support Services	360,969	360,969	221,886	221,886
Debt Services:				
Principal Retirement	40,000	40,000	40,000	40,000
Interest and Fiscal Charges	38,950	38,950	41,510	41,510
Total Disbursements	\$ 667,157	\$ 655,773	\$ 520,126	\$ 508,748

The Library's Funds

Total governmental fund had receipts of \$1,302,784 and disbursements of \$667,157 for 2015. The fund balance of the General Fund increased as the result of revenue from the tax levy, donations and from the Public Library Fund.

General Fund receipts were greater than disbursements by \$635,627 in 2015 indicating that the General Fund is in a profitable spending situation. The Library Administration continues to maintain a conservative approach to overall spending and is very appreciative to the Community for their support by renewing the 1.5 mil levy.

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 only budgeted fund is the General Fund.

Final disbursements for 2015 were budgeted at \$720,130 while actual disbursements were \$667,720. The Library was conservative in spending in 2015 and is saving most of the unrestricted donations for future needs of the library.

Capital Assets and Debt Administration

Capital Assets

The Library does not currently have Capital Assets.

Debt

As of December 31, 2015 the Library's outstanding debt stands at \$575,000 which is to be paid in installments through 2025.

Hurt Battelle Memorial Library
Management's Discussion and Analysis
For the Year Ended December 31, 2015
Unaudited

Current Issues

The challenge for all Libraries is to provide quality services to the public while staying within the restrictions imposed by funding which is composed mostly of the General Tax Levy and the PLF. The Ohio Department of Taxation estimated (December, 2014) that the anticipated PLF revenue for 2015 would be \$300,594. The December, 2014 Estimate of Property Tax Revenue from the Madison County Auditor was \$291,611 with a recommendation to only use 90% for the 2015 budget. The Board of Trustees took a conservative approach with the 2015 budget by only appropriating 44% of the Unencumbered Cash Balance as of January 1, 2015 plus the Estimated Revenues for 2015. The Board recognizes that it is important that the Library have some cash reserves for an emergency.

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 Rebecca Yerian, Fiscal Officer, Hurt/Battelle Memorial Library of West Jefferson, 270 Lilly Chapel Road, West Jefferson, OH 43162.

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

*Statement of Net Position - Modified Cash Basis
December 31, 2015*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 1,069,517</u>
<i>Total Assets</i>	<u><u>1,069,517</u></u>
Net Position	
Unrestricted	<u>1,069,517</u>
<i>Total Net Position</i>	<u><u>\$ 1,069,517</u></u>

See accompanying notes to the basic financial statements

HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2015

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Position	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Total
Governmental Activities					
Current:					
Library Services:	\$ 227,238	\$ 11,384	\$ -	\$ (215,854)	\$ (215,854)
Support Services:	360,969	-	-	(360,969)	(360,969)
Debt Service:					
Principal Retirement	40,000	-	-	(40,000)	(40,000)
Interest and Fiscal Charges	38,950	-	-	(38,950)	(38,950)
Total Governmental Activities	667,157	11,384	0	(655,773)	(655,773)
			General Receipts:		
			Property Taxes Levied for General Purposes	251,068	251,068
			Unrestricted Gifts and Contributions	688,435	688,435
			Grants/Entitlements not Restricted to Specific Programs	347,885	347,885
			Earnings on Investments	1,412	1,412
			Miscellaneous	2,600	2,600
			Total General Receipts	1,291,400	1,291,400
			Change in Net Position	635,627	635,627
			<i>Net Position Beginning of Year</i>	433,890	433,890
			<i>Net Position End of Year</i>	\$ 1,069,517	\$ 1,069,517

See accompanying notes to the basic financial statements

HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY
Statement of Assets and Fund Balances - Modified Cash Basis
Governmental Fund
December 31, 2015

	<u>General Fund</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 1,069,517</u>
<i>Total Assets</i>	<u><u>1,069,517</u></u>
Fund Balances	
Assigned	87,877
Unassigned	<u>981,640</u>
<i>Total Fund Balances</i>	<u><u>\$ 1,069,517</u></u>

See accompanying notes to the basic financial statements

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

*Statement of Receipts, Disbursements, And
Changes in Fund Balance - Modified Cash Basis
Governmental Fund
For the Year Ended December 31, 2015*

	<u>General Fund</u>
Cash Receipts	
Property and Other Local Taxes	\$ 251,068
Public Library	318,820
Intergovernmental	29,065
Patron Fines and Fees	11,384
Contributions, Gifts and Donations	688,435
Earnings on Investments	1,412
Miscellaneous	<u>2,600</u>
<i>Total Cash Receipts</i>	<u>1,302,784</u>
Cash Disbursements	
Current:	
Library Services	227,238
Support Services:	360,969
Principal Retirement	40,000
Interest and Fiscal Charges	<u>38,950</u>
<i>Total Cash Disbursements</i>	<u>667,157</u>
<i>Net Change in Fund Cash Balance</i>	635,627
<i>Fund Cash Balance, January 1</i>	<u>433,890</u>
Fund Cash Balance, December 31	
Assigned	87,877
Unassigned	<u>981,640</u>
<i>Fund Cash Balance, December 31</i>	<u><u>\$ 1,069,517</u></u>

See accompanying notes to the basic financial statements

**HURT BATTELLE MEMORIAL LIBRARY
MADISON COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2015*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$ 218,792	\$ 218,792	\$ 251,068	\$ 32,276
Public Library	290,000	290,000	318,820	28,820
Intergovernmental	29,000	29,000	29,065	65
Patron Fines and Fees	9,500	9,500	11,384	1,884
Contributions, Gifts and Donations	650,150	650,150	688,435	38,285
Earnings on Investments	600	600	1,412	812
Miscellaneous	2,025	2,025	2,600	575
<i>Total Receipts</i>	<u>1,200,067</u>	<u>1,200,067</u>	<u>1,302,784</u>	<u>102,717</u>
Disbursements				
Current:				
Library Services:	236,825	237,937	227,238	10,699
Support Services:	361,355	394,134	361,533	32,601
Debt Service:				
Principal Retirement	40,000	40,000	40,000	-
Interest and Fiscal Charges	38,950	38,950	38,950	-
<i>Total Disbursements</i>	<u>677,130</u>	<u>711,021</u>	<u>667,721</u>	<u>43,300</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>522,937</u>	<u>489,046</u>	<u>635,063</u>	<u>146,017</u>
Other Financing Sources (Uses)				
Other Financing Uses	(15,000)	(9,109)	-	9,109
<i>Total Other Financing Sources (Uses)</i>	<u>(15,000)</u>	<u>(9,109)</u>	<u>-</u>	<u>9,109</u>
<i>Net Change in Fund Balance</i>	507,937	479,937	635,063	155,126
<i>Unencumbered Fund Balance Beginning of Year</i>	<u>433,890</u>	<u>433,890</u>	<u>433,890</u>	<u>-</u>
<i>Unencumbered Fund Balance End of Year</i>	<u>\$ 941,827</u>	<u>\$ 913,827</u>	<u>\$ 1,068,953</u>	<u>\$ 155,126</u>

See accompanying notes to the basic financial statements

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

Note 1 – Description of the Library and Reporting Entity

The Hurt Battelle Memorial Library is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of Ohio. The Library has its own Board of Trustees of seven members appointed by the Jefferson Local School District 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, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

The Library is fiscally independent of the Board of Education, although the Board of Education 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 Board of Education.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board, "The Financial Reporting Entity," the Library is considered to be a related organization of the Ohio 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 authorizes the issuance of debt or the levying of taxes or determines the budget if there is also the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Library. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

The Friends of the Hurt Battelle Memorial Library, Inc. is a not-for-profit organization with a self-appointing board. The Library is not financially accountable for the organization, nor does the Library approve the budget or the issuance of debt of the organization. The economic resources received or held by the Friends of the Hurt Battelle Memorial Library are not significant to the Hurt Battelle Memorial Library.

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

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2, the financial statements of the Hurt Battelle Memorial Library have been prepared on a modified cash-basis of accounting. This modified cash-basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The most significant of the Library's accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Library as a whole. These statements include the financial activities of the primary government. Library activities generally are financed through taxes, intergovernmental receipts and other nonexchange transactions.

The statement of net position presents the cash and investment balances of the Library at year end. The statement of activities compares disbursements with program receipts for each of the Library's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Library is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program, and receipts of interest earned on grants that are required to be used to support a particular program.

General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash-basis or draws from the Library's general receipts.

Fund Financial Statements

Fund financial statements are designed to present financial information of the Library at a more detailed level. The focus of governmental fund financial statements is on major funds. The Library accounted for transactions in a General Fund only during 2015.

Fund Accounting

The Library uses a General Fund 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 fund is classified as governmental.

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

Note 2 - Summary of Significant Accounting Policies (Continued)

Governmental Funds

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

General Fund - The General Fund accounts for all financial resources except those required to be accounted for 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.

Basis of Accounting

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

As a result of the use of this modified 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 appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and / or major category of the program code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

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

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

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

Library records identify the purchase of specific investments within the General Fund.

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."

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool 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 2015, investments were limited to STAR Ohio and Star Plus. Star Ohio (Star Plus) 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 (Star Plus) is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2015.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipt credited to the General Fund during 2015 amounted to \$1,412.

Restricted Assets

Cash, cash equivalents, and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Library has no restricted assets at December 31, 2015.

Inventory and Prepaid Items

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

Capital Assets

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

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

Note 2 - Summary of Significant Accounting Policies (Continued)

Accumulated Leave

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

Employer Contribution to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

The Library's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

Net Position

Net position is reported as restricted where there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for special revenue funds.

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

Fund Balance

Fund balance is divided into five classifications based primarily 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:

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

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

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

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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.

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.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis).

The Library had one encumbrance outstanding at year-end in the amount of \$564.

Note 4 – 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.

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

Note 4 – Deposits and Investments (Continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certificates of Deposits (CDs) properly insured through FDIC or suitable collateralization, including the Certificate of Deposit Account Registry Services (CDARS). Effective march 4, 2006, the Ohio General Assembly created Ohio Revised Code 135.144 permitting the Library to use the CDARS. Each bank accepts less than the FDIC limit so all deposits have FDIC coverage; and
9. Commercial Paper and bankers acceptances if Ohio Revised Code training requirements have been met.

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 to the fiscal officer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Library had \$105.00 (used for petty cash) in undeposited cash on hand which is included as part Equity in Pooled Cash and Cash Equivalents on the financial statements.

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

Note 4 – Deposits and Investments (Continued)

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.

Investments

As of December 31, 2015, the Library had the following investments:

	Carrying Value	Maturity
Star Ohio	\$ 41,224	Average
Star Plus	881,497	Average
Total Investments	<u>\$ 922,721</u>	

Interest Rate Risk Interest rate risk arises because the fair value of investment changes as interest rates change. The Library's investment policy addresses interest rate risk by requiring that the Library's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit Risk STAR Ohio carries a rating of AAA by Standard and Poor's. The Library has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Note 5 – Grants in Aid and Property Taxes

Grants in Aid

The primary source of revenue for Ohio public libraries is the Public Library Fund (PLF). The State allocates PLF to each county based on the total tax revenue credited to the State's general revenue fund during the preceding month. The County Budget Commission bases the amount for distribution on a formula as developed by mutual agreement by all libraries within the county. The County Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the West Jefferson Local School District. Property tax receipts received in 2015 for real and public utility property taxes represent collections of the 2014 taxes. Property tax payments received during 2015 for tangible personal property (other than public utility property) is for 2015 taxes.

2015 real property taxes are levied after October 1, 2015 on the assessed values as of January 1, 2015 the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

Note 5 – Grants-In-Aid and Property Taxes (Continued)

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

Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2015 public utility property taxes which became a lien on December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

2014 real property taxes are collected in and intended to finance 2015.

The full tax rate for all Library operations for the year ended December 31, 2014 was \$1.50 per \$1,000 of assessed value. The assessed values of real and personal property upon which 2015 property tax receipts were based are as follows:

Real Property	\$ 135,292,910
Other Real Value	58,307,210
Public Utility Property	10,728,780
Total Assessed Values	<u>\$ 204,328,900</u>

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

Note 6 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2015, the Library's contracted insurance coverage is as follows:

Company	Type of Coverage	Amount of Coverage
<u>France & Associates</u>	<u>Commercial Property</u>	<u>\$3,260,594</u>
France & Associates	General Liability	1,000,000

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

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

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

Note 7 - Defined Benefit Pension Plan

Plan Description - The Library participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2015, members in state and local classifications contributed 10 percent of covered payroll.

The Library's contribution rate for 2015 was 14 percent of covered payroll. A portion of the Library's contribution equal to 1 percent was allocated to fund the postemployment health care plan through December 31, 2015. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Library at 14 percent.

The Library's required contributions for pension obligations for the years ended December 31, 2015, 2014, and, 2013 were \$32,325, \$33,552 and, \$31,689 respectively; the full amount has been contributed for 2015, 2014, and, 2013.

Note 8 - Postemployment Benefits

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten years or more of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised code permits, but does not require, OPERS to provide healthcare benefits to eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are provided separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or (800) 222 – 7377.

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

Note 8 - Postemployment Benefits (Continued)

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer’s contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2015, local government employers contributed 14 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 1 percent of covered payroll through December 31, 2015.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or retiree’s surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and selected coverage

The Library’s contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2015, 2014, and 2013 were \$4,616, \$4,791, and \$4,525, respectively. The full amount has been contributed for 2015, 2014, and 2013.

Note 9 – Debt

Notes Payable

A summary of the note transactions for the year ended December 31, 2015, follows:

Governmental Activities	Interest Rate	Balance December 31, 2014	Additions	Reductions	Balance December 31, 2015	Due Within One Year
Facility Note - 2000 Issue	4.75-6.60%	\$ 615,000	-	\$ 40,000	\$ 575,000	\$ 45,000

The Library issued Library Facilities Notes in the amount of \$999,000 during 2000. These notes were issued to construct an expansion of the Library building and renovations of the entire Library. The Library backs the securities from money received from the PLF, which is funded through the State of Ohio. A tax levy was passed for 2010 and renewed for 2015 to offset depleting PLF funding in order to maintain revenue to cover the debt. These notes are for the duration of twenty five (25) years with varying interest rates of 4.75-6.6%. A summary of the Library’s future long-term debt funding requirements, including principal and interest payments, as of December 31, 2015 follows:

Years	Principal	Interest
2016	\$ 45,000	\$ 36,230
2017	45,000	33,350
2018	50,000	30,310
2019	50,000	27,060
2020	55,000	23,595
2021-2025	330,000	57,090
Total	<u>\$ 575,000</u>	<u>\$ 207,635</u>

**Hurt Battelle Memorial Library
Madison County**

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2015**

Note 10 – Fund Balances

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

<u>Fund Balance</u>	<u>General Fund</u>
Assigned to	
2016 Appropriations and Carryover	\$ 87,877
Unassigned	<u>981,640</u>
<i>Total Fund Balances</i>	<u>\$ 1,069,517</u>

In accordance with GASB 54, when the appropriation measure is adopted for the subsequent year, if a portion of the existing fund balance is included as a budgetary resource, then that portion of the fund balance should be classified as assigned. \$87,877 of the December 31, 2015 ending fund balance is needed for the 2016 Appropriation Budget and thus \$981,640 the December 31, 2015 fund balance is classified as unassigned.



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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**

June 30, 2017

Hurt Battelle Memorial Library
Madison County
270 Lilly Chapel Road
West Jefferson, OH 43162

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' *Governmental Auditing Standards*, the modified cash-basis financial statements of the governmental activities and General Fund of **Hurt Battelle Memorial Library**, Madison County (the Library) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated June 30, 2017, wherein we noted the Library used 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 opinion 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.

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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*.

We noted a certain matter not requiring inclusion in this report that we reported to the Library's management in a separate report dated June 30, 2017.

Purpose of this Report

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



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio



Dave Yost • Auditor of State

HURT BATTELLE MEMORIAL LIBRARY

MADISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 14, 2017