



Dave Yost • Auditor of State



**PORTAGE COUNTY DISTRICT LIBRARY  
PORTAGE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Portage County District Library  
Portage County  
10482 South Street  
Garrettsville, Ohio 44231

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Portage County District Library, Portage County, (the Library) as of and for the years ended December 31, 2016 and 2015.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the Library prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material. Though the Library does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Library as of December 31, 2016 and 2015, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Portage County District Library, Portage County as of December 31, 2016 and 2015, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 11, 2017

**Portage County District Library**  
*Portage County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2016*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Public Library	\$2,150,345			\$2,150,345
Patron Fines and Fees	\$22,604			\$22,604
Services Provided to Other Entities	\$19,228			\$19,228
Contributions, Gifts and Donations	\$93,687			\$93,687
Earnings on Investments	\$1,593	96	1,937	\$3,626
Miscellaneous	\$33,058			\$33,058
<i>Total Cash Receipts</i>	<u>\$2,320,515</u>	<u>96</u>	<u>1,937</u>	<u>\$2,322,548</u>
<b>Cash Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	946,074			946,074
Collection Development and Processing	539,230			539,230
Support Services:				
Facilities Operation and Maintenance	151,312			151,312
Information Services	122,681			122,681
Business Administration	425,670			425,670
Capital Outlay	37,570		18,663	56,233
<i>Total Cash Disbursements</i>	<u>2,222,537</u>	<u>-</u>	<u>18,663</u>	<u>2,241,200</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>97,978</u>	<u>96</u>	<u>(16,726)</u>	<u>81,348</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In			125,000	125,000
Transfers Out	(125,000)			(125,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(125,000)</u>	<u>-</u>	<u>125,000</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	(27,022)	96	108,274	81,348
<i>Fund Cash Balances, January 1</i>	<u>601,205</u>	<u>41,941</u>	<u>951,306</u>	<u>1,594,452</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	40,000	-	40,000
Assigned	517,818	2,037	1,059,580	1,579,435
Unassigned (Deficit)	56,365	-	-	56,365
<i>Fund Cash Balances, December 31</i>	<u>\$574,183</u>	<u>\$42,037</u>	<u>\$1,059,580</u>	<u>\$1,675,800</u>

**Portage County District Library**  
*Portage County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Cash Basis)*  
*Fiduciary Fund Types*  
*For the Year Ended December 31, 2016*

	Fiduciary Fund Types
	Agency
<b>Operating Cash Receipts</b>	
Patron Fines and Fees	4,239
Earnings on Investments (trust funds only)	286
Miscellaneous	4,004
<i>Total Operating Cash Receipts</i>	8,529
<b>Operating Cash Disbursements</b>	
Salaries	15,704
Employee Fringe Benefits	3,423
Purchased and Contracted Services	175,845
Library Materials and Information	59,626
Supplies	1,464
Other	2,818
<i>Total Operating Cash Disbursements</i>	258,880
<i>Operating Income (Loss)</i>	(250,351)
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	228,841
<i>Total Non-Operating Receipts (Disbursements)</i>	228,841
<i>Net Change in Fund Cash Balances</i>	(21,510)
<i>Fund Cash Balances, January 1</i>	129,075
<i>Fund Cash Balances, December 31</i>	107,565



PORTAGE COUNTY DISTRICT LIBRARY  
*Portage County*  
*Notes to the Financial Statement*  
*December 31, 2016*

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**NOTE 1 - REPORTING ENTITY**

The Portage County District Library (the Library), Portage County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library is a county district public library established pursuant to Section 3375.19 of the Ohio Revised Code. The Library is directed by a seven-member Board of Trustees, four who are appointed by the Portage County Commissioners and three who are appointed by the Portage County Common Pleas Court. Members serve without compensation. The Library provides the community with various educational and literary resources. The Library's main office is located in Garrettsville, Ohio and serves as the administrative headquarters for the following branch libraries: Aurora Public Library, Streetsboro (Pierce) Library, Randolph Library, Windham Library, and the Deerfield Computer Lab.

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Library is associated with the Portage Library Consortium which was formed in 1990 by an agreement between the Portage County District Library, Kent Free Library, and Reed Memorial Library and is defined as a jointly governed organization. The Library acts as the fiscal agent for the consortium. (See Note 9)

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The Library's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Library are presented below:

- ***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.
- ***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Library has the following significant Special Revenue Funds:

Mildred K. Chang Memorial Fund – This fund is used to account for improvements or enhancements to the collection at Portage County District Library's Windham Branch in Windham, Ohio.

PORTAGE COUNTY DISTRICT LIBRARY  
*Portage County*  
*Notes to the Financial Statement*  
*December 31, 2016*  
*(Continued)*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Garrettsville Building Fund – This fund is used to account for capital and technological repairs and improvements of the Garrettsville Branch building.

Branch Improvement Fund – This fund is used to account for the capital and technological repairs and improvements to branches other than the Garrettsville building.

Automated Circulation Fund – This fund is used to account for the capital and technological repairs and improvements associated with the circulation system.

Vehicle Replacement Fund – This fund is used to account for the capital repairs and improvements to library vehicles for the delivery of materials in support of outreach services.

- **Fiduciary Funds** These funds include pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations or other governments which are not available to support the Library's own programs. The Library has no trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Library has the following significant agency fund:

Portage Library Consortium (PLC) Fund- The Library acts as fiscal agent for the Portage Library Consortium and uses a PLC General Fund and PLC Auto-Circulation Capital Fund to account for Consortium monies.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and expenditures) may not exceed appropriations at the fund, function, and object level of control. A summary 2016 budgetary activity appears in Note 3.

PORTAGE COUNTY DISTRICT LIBRARY  
*Portage County*  
*Notes to the Financial Statement*  
*December 31, 2016*  
*(Continued)*

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**NOTE 2 - REPORTING ENTITY (Continued)**

***Deposits and Investments***

The Library's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides NAV per share that approximates fair value.

***Capital Assets***

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Accumulated Leave***

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

***Fund Balance***

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

***Nonspendable*** The Library classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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

***Committed*** The Board of Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Library Board or a Library official delegated that authority by resolution, or by State Statute.

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

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

PORTAGE COUNTY DISTRICT LIBRARY  
*Portage County*  
*Notes to the Financial Statement*  
*December 31, 2016*  
*(Continued)*

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**NOTE 3 - BUDGETARY ACTIVITY**

Budgetary activity for the years 2016 are as follows:

2016 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$2,250,533	\$2,320,515	\$69,982
Special Revenue	0	96	96
Capital Projects	0	126,937	126,937
Fiduciary	<u>237,187</u>	<u>237,370</u>	<u>183</u>
Total	<u>\$2,487,720</u>	<u>\$2,684,918</u>	<u>\$197,198</u>

2016 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$2,851,862	\$2,410,929	\$440,933
Special Revenue	41,941	0	41,941
Capital Projects	951,305	18,663	932,642
Fiduciary	<u>366,071</u>	<u>309,142</u>	<u>56,929</u>
Total	<u>\$4,211,179</u>	<u>\$2,738,733</u>	<u>\$1,472,445</u>

**NOTE 4 – DEPOSITS AND INVESTMENTS**

The Library maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	<u>2016</u>
Demand deposits	\$1,714,197
STAR Ohio	<u>69,168</u>
Total deposits and investments	<u>\$1,783,365</u>

**NOTE 5 – GRANTS IN AID AND 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.

PORTAGE COUNTY DISTRICT LIBRARY  
*Portage County*  
*Notes to the Financial Statement*  
*December 31, 2016*  
*(Continued)*

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**NOTE 6 - RISK MANAGEMENT**

**Commercial Insurance**

The Library has commercial insurance for risks such as comprehensive property and general liability, vehicles, and errors and omissions.

The Library also provides health insurance, dental and vision coverage to full-time employees through a private carrier.

Settled claims have not exceeded this commercial coverage in any of the last three years. The Library has not reduced coverage from the prior year.

Worker's Compensation coverage is provided by the State of Ohio. 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 (if material).

**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

	<u>Year</u>	<u>Retirement Rates</u>	<u>Employer Rate</u>
<i>OPERS - Local</i>	<i>2012 - 2016</i>	<i>10%</i>	<i>14%</i>

**Ohio Public Employees Retirement System**

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Library contributed an amount equaling 14%, of participants' gross salaries. The Library has a pick-up plan in place in which they paid 3.5% of the member's portion. The Library has paid all contributions required through December 31, 2016.

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

PORTAGE COUNTY DISTRICT LIBRARY  
*Portage County*  
*Notes to the Financial Statement*  
*December 31, 2016*  
*(Continued)*

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**NOTE 9 – JOINTLY GOVERNED ORGANIZATIONS**

The Portage Library Consortium (PLC), authorized under Ohio Revised Code Section 3375.403, consists of the Portage County District, Kent Free and Reed Memorial libraries. The purpose of the consortium is the joint ownership of a circulation system and to provide better services at reduced costs to each member through collective efforts and resource sharing. The PLC is governed by a Council comprised of two trustees from each member library. Member libraries are entitled to a single vote. The Director of each library may act in the place of the trustees from their respective library. The Council controls the budget and all financial concerns. The three libraries allocate 1.3% of the Public Library Fund (PLF) each for a total of 3.9% of revenue. The Portage County District Library acts as the fiscal agent for the consortium.

**Portage County District Library**  
*Portage County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Cash Basis)*  
*All Governmental Fund Types*  
*For the Year Ended December 31, 2015*

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Public Library	\$2,163,159			\$2,163,159
Patron Fines and Fees	23,945			23,945
Services Provided to Other Entities	21,724			21,724
Contributions, Gifts and Donations	13,558			13,558
Earnings on Investments	1,435	87	1,762	3,284
Miscellaneous	31,638			31,638
<i>Total Cash Receipts</i>	<u>2,255,459</u>	<u>87</u>	<u>1,762</u>	<u>2,257,308</u>
<b>Cash Disbursements</b>				
Current:				
Library Services:				
Public Services and Programs	883,658			883,658
Collection Development and Processing	478,326			478,326
Support Services:				
Facilities Operation and Maintenance	154,887		3,463	158,350
Information Services	129,259			129,259
Business Administration	414,623			414,623
Capital Outlay	27,167		18,663	45,830
<i>Total Cash Disbursements</i>	<u>2,087,920</u>	<u>0</u>	<u>22,126</u>	<u>2,110,046</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>167,539</u>	<u>87</u>	<u>(20,364)</u>	<u>147,262</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers In			125,000	125,000
Transfers Out	(125,000)			(125,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(125,000)</u>	<u>0</u>	<u>125,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	42,539	87	104,636	147,262
<i>Fund Cash Balances, January 1</i>	<u>558,666</u>	<u>41,854</u>	<u>846,670</u>	<u>1,447,190</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	0	0	0	0
Restricted	0	40,000	0	40,000
Assigned	601,205	1,941	951,306	1,554,452
<i>Fund Cash Balances, December 31</i>	<u>\$601,205</u>	<u>\$41,941</u>	<u>\$951,306</u>	<u>\$1,594,452</u>

**Portage County District Library**  
*Portage County*  
*Combined Statement of Receipts, Disbursements*  
*and Changes in Fund Balances (Cash Basis)*  
*Fiduciary Fund Types*  
*For the Year Ended December 31, 2015*

	<u>Fiduciary Fund Types</u>
	<u>Agency</u>
<b>Operating Cash Receipts</b>	
Patron Fines and Fees	7,271
Services Provided to Other Entities	21,715
Earnings on Investments (trust funds only)	227
Miscellaneous	2,424
	<hr/>
<i>Total Operating Cash Receipts</i>	31,637
	<hr/>
<b>Operating Cash Disbursements</b>	
Salaries	53,933
Employee Fringe Benefits	15,241
Purchased and Contracted Services	37,673
Library Materials and Information	58,315
Supplies	1,162
Other	143
	<hr/>
<i>Total Operating Cash Disbursements</i>	166,467
	<hr/>
<i>Operating Income (Loss)</i>	(134,830)
	<hr/>
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	229,937
Capital Outlay	(2,916)
	<hr/>
<i>Total Non-Operating Receipts (Disbursements)</i>	227,021
	<hr/>
<i>Net Change in Fund Cash Balances</i>	92,191
	<hr/>
<i>Fund Cash Balances, January 1</i>	36,884
	<hr/>
<i>Fund Cash Balances, December 31</i>	129,075
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PORTAGE COUNTY DISTRICT LIBRARY  
*Portage County*  
*Notes to the Financial Statement*  
*December 31, 2015*

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**NOTE 1 - REPORTING ENTITY**

The Portage County District Library (the Library), Portage County, is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Library is a county district public library established pursuant to Section 3375.19 of the Ohio Revised Code. The Library is directed by a seven-member Board of Trustees, four who are appointed by the Portage County Commissioners and three who are appointed by the Portage County Common Pleas Court. Members serve without compensation. The Library provides the community with various educational and literary resources. The Library's main office is located in Garrettsville, Ohio and serves as the administrative headquarters for the following branch libraries: Aurora Public Library, Streetsboro (Pierce) Library, Randolph Library, Windham Library, and the Deerfield Computer Lab.

***Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations***

The Library is associated with the Portage Library Consortium which was formed in 1990 by an agreement between the Portage County District Library, Kent Free Library, and Reed Memorial Library and is defined as a jointly governed organization. The Library acts as the fiscal agent for the consortium. (See Note 9)

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The Library's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all fiduciary fund types which are organized on a fund type basis.

***Fund Accounting***

The Library uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Library are presented below:

- ***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Library for any purpose provided it is expended or transferred according to the general laws of Ohio.
- ***Special Revenue Funds*** These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Library has the following significant Special Revenue Funds:

Mildred K. Chang Memorial Fund – This fund is used to account for improvements or enhancements to the collection at Portage County District Library's Windham Branch in Windham, Ohio.

PORTAGE COUNTY DISTRICT LIBRARY  
*Portage County*  
*Notes to the Financial Statement*  
*December 31, 2015*  
*(Continued)*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Garrettsville Building Fund – This fund is used to account for capital and technological repairs and improvements of the Garrettsville Branch building.

Branch Improvement Fund – This fund is used to account for the capital and technological repairs and improvements to branches other than the Garrettsville building.

Automated Circulation Fund – This fund is used to account for the capital and technological repairs and improvements associated with the circulation system.

Vehicle Replacement Fund – This fund is used to account for the capital repairs and improvements to library vehicles for the delivery of materials in support of outreach services.

- **Fiduciary Funds** These funds include pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations or other governments which are not available to support the Library's own programs. The Library has no trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Library has the following significant agency fund:

Portage Library Consortium (PLC) Fund- The Library acts as fiscal agent for the Portage Library Consortium and uses a PLC General Fund and PLC Auto-Circulation Capital Fund to account for Consortium monies.

***Basis of Accounting***

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

***Budgetary Process***

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and expenditures) may not exceed appropriations at the fund, function, and object level of control. A summary of 2015 budgetary activity appears in Note 3.

PORTAGE COUNTY DISTRICT LIBRARY  
*Portage County*  
*Notes to the Financial Statement*  
*December 31, 2015*  
*(Continued)*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Deposits and Investments***

The Library's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides NAV per share that approximates fair value.

***Capital Assets***

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

***Accumulated Leave***

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

***Fund Balance***

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

***Nonspendable*** The Library classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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

***Committed*** The Board of Trustees can *commit* amounts via formal action (resolution). The Library must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

***Assigned*** Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Library Board or a Library official delegated that authority by resolution, or by State Statute.

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

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

PORTAGE COUNTY DISTRICT LIBRARY  
*Portage County*  
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*December 31, 2015*  
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**NOTE 3 - BUDGETARY ACTIVITY**

Budgetary activity for the years 2015 are as follows:

2015 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$2,232,402	\$2,255,459	\$23,057
Special Revenue	0	87	87
Capital Projects	0	126,762	126,762
Fiduciary	<u>249,565</u>	<u>261,574</u>	<u>12,009</u>
Total	<u>\$2,481,967</u>	<u>\$2,643,882</u>	<u>\$161,915</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$2,688,466	\$2,261,596	\$426,870
Special Revenue	41,854	0	41,854
Capital Projects	846,670	41,289	805,381
Fiduciary	<u>286,259</u>	<u>169,860</u>	<u>116,399</u>
Total	<u>\$3,863,249</u>	<u>\$2,472,745</u>	<u>\$1,390,504</u>

**NOTE 4 – DEPOSITS AND INVESTMENTS**

The Library maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	<u>2015</u>
Demand deposits	\$1,654,727
STAR Ohio	<u>68,800</u>
Total deposits and investments	<u>\$1,723,527</u>

**NOTE 5 – GRANTS IN AID AND 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.

PORTAGE COUNTY DISTRICT LIBRARY  
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**NOTE 6 - RISK MANAGEMENT**

**Commercial Insurance**

The Library has commercial insurance for risks such as comprehensive property and general liability, vehicles, and errors and omissions.

The Library also provides health insurance, dental and vision coverage to full-time employees through a private carrier.

Settled claims have not exceeded this commercial coverage in any of the last three years. The Library has not reduced coverage from the prior year.

Worker's Compensation coverage is provided by the State of Ohio. 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 (if material).

**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

	<u>Year</u>	<u>Retirement Rates</u>	<u>Employer Rate</u>
<i>OPERS - Local</i>	<i>2012 - 2015</i>	<i>10%</i>	<i>14%</i>

**Ohio Public Employees Retirement System**

The Library's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Library contributed an amount equaling 14% of participants' gross salaries. The Library has a pick-up plan in place in which they paid 3.5% of the member's portion. The Library has paid all contributions required through December 31, 2015.

**NOTE 8 - POSTEMPLOYMENT BENEFITS**

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the traditional pension and the combined plans. OPERS contributes 2 percent of the employer contribution to fund these benefits.

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**NOTE 9 – JOINTLY GOVERNED ORGANIZATIONS**

The Portage Library Consortium (PLC), authorized under Ohio Revised Code Section 3375.403, consists of the Portage County District, Kent Free and Reed Memorial libraries. The purpose of the consortium is the joint ownership of a circulation system and to provide better services at reduced costs to each member through collective efforts and resource sharing. The PLC is governed by a Council comprised of two trustees from each member library. Member libraries are entitled to a single vote. The Director of each library may act in the place of the trustees from their respective library. The Council controls the budget and all financial concerns. The three libraries allocate 1.3% of the Public Library Fund (PLF) each for a total of 3.9% of revenue. The Portage County District Library acts as the fiscal agent for the consortium.



# Dave Yost • Auditor of State

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

Portage County District Library  
Portage County  
10482 South Street  
Garrettsville, Ohio 44231

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Portage County District Library, Portage County, (the Library), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated October 11, 2017 wherein we noted the Library followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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.

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 11, 2017





# Dave Yost • Auditor of State

**PORTAGE COUNTY DISTRICT LIBRARY**

**PORTAGE 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  
NOVEMBER 9, 2017**