



Dave Yost • Auditor of State

REED MEMORIAL LIBRARY
PORTAGE COUNTY
DECEMBER 31, 2016

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Statement of Receipts, Disbursements and Changes in Fund Balance (Cash Basis) All Government Fund Types	3
Notes to the Financial Statements	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Reed Memorial Library
Portage County
167 East Main Street
Ravenna, Ohio 44266

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 Reed Memorial Library, Portage County, (the Library) as of and for the year ended December 31, 2016.

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 Government'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 Government 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, or changes in financial position thereof for the year 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 Reed Memorial Library, Portage County as of December 31, 2016, and its combined cash receipts and disbursements for the year 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 April 24, 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

April 24, 2017

**REED MEMORIAL 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	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$833,265				\$833,265
Public Library	906,307				906,307
Intergovernmental	112,207				112,207
Patron Fines and Fees	34,974				34,974
Contributions, Gifts and Donations	11,074				11,074
Earnings on Investments	3,286	\$177	\$1,636	\$6	5,105
Miscellaneous	1,725				1,725
<i>Total Cash Receipts</i>	<u>1,902,838</u>	<u>177</u>	<u>1,636</u>	<u>6</u>	<u>1,904,657</u>
Cash Disbursements					
Current:					
Library Services:					
Public Services and Programs	623,505				623,505
Collection Development and Processing	339,296	387			339,683
Support Services:					
Facilities Operation and Maintenance	231,910				231,910
Information Services	70,692				70,692
Business Administration	533,276				533,276
Capital Outlay	29,939	2,864			32,803
<i>Total Cash Disbursements</i>	<u>1,828,618</u>	<u>3,251</u>	<u>0</u>	<u>0</u>	<u>1,831,869</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>74,220</u>	<u>(3,074)</u>	<u>1,636</u>	<u>6</u>	<u>72,788</u>
Other Financing Receipts					
Other Financing Sources	2,023				2,023
<i>Total Other Financing Receipts</i>	<u>2,023</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,023</u>
<i>Net Change in Fund Cash Balances</i>	<u>76,243</u>	<u>(3,074)</u>	<u>1,636</u>	<u>6</u>	<u>74,811</u>
<i>Fund Cash Balances, January 1</i>	<u>1,607,172</u>	<u>50,213</u>	<u>493,350</u>	<u>1,802</u>	<u>2,152,537</u>
Fund Cash Balances, December 31					
Nonspendable				1,500	1,500
Restricted		47,139		308	47,447
Committed	0	0	0	0	0
Assigned	15,190		494,986		510,176
Unassigned (Deficit)	1,668,225				1,668,225
<i>Fund Cash Balances, December 31</i>	<u>\$1,683,415</u>	<u>\$47,139</u>	<u>\$494,986</u>	<u>\$1,808</u>	<u>\$2,227,348</u>

See accompanying notes to the basic financial statements

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**REED MEMORIAL LIBRARY
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 1 - Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Reed Memorial Library, Portage County, (the Library) as a body corporate and politic. The Library is directed by a seven-member Board of Trustees appointed by the Ravenna City School Board.

The Library is a member of the Portage Library Consortium (see Note 10). The Library provides the community with various educational and literary resources.

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.

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 had the following significant special revenue funds:

Children's Area Fund – This fund is used to account for donations from the Dietrich family to be used for the Library's Children Section.

Ruth C. Woolf Memorial Fund - This fund is used to account for donations from the Woolf family to purchase education materials.

Brown Fund - This fund is used to account for donations to purchase library materials.

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 had the following significant capital project funds:

**REED MEMORIAL LIBRARY
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Building & Repair Fund - This fund is used to account for expansion, maintenance, repair or renovation of the Library's buildings.

Automation Fund - This fund is used to account for the purchase and improvement of equipment used in the automated circulation system maintained by the Library.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the Library's programs (for the benefit of the government or its citizenry). The Library has one permanent fund, the Gilbert/Short Trust Fund, which holds money for Library materials.

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 encumbrances] may not exceed appropriations at the fund, function, and object level of control.

A summary of 2016 budgetary activity appears in Note 3.

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.

The Library values certificates of deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual fund reports. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**REED MEMORIAL LIBRARY
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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. The financial statements do not include a liability for unpaid leave.

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

Trustees can commit amounts via formal action (resolution). The Library must adhere to these commitments unless the Trustees 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 Library Trustees or a Library official delegated that authority by resolution, or by State Statute.

**REED MEMORIAL LIBRARY
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,904,688	\$1,904,861	\$173
Special Revenue	300	177	(123)
Capital Projects	900	1,636	736
Permanent	10	6	(4)
Total	\$1,905,898	\$1,906,680	\$782

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,110,593	\$1,843,808	\$266,785
Special Revenue	3,500	3,251	249
Capital Projects	15,000	0	15,000
Permanent	0	0	0
Total	\$2,129,093	\$1,847,059	\$282,034

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:

**REED MEMORIAL LIBRARY
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>
Demand deposits	\$213,522
Certificates of deposit	99,500
Other time deposits (savings and NOW accounts)	<u>1,901,247</u>
Total deposits	<u>2,214,269</u>
STAR Ohio	12,829
Total investments	<u>12,829</u>
Total deposits and investments	<u><u>\$2,227,098</u></u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

The Library also had \$250 in petty cash and copier monies on hand at December 31, 2016.

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.

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the taxing authority of the subdivision to whose jurisdiction the Library is subject adopts rates. The State Department of Taxation, Division of Tax Equalization, adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Library.

**REED MEMORIAL LIBRARY
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 6 - Risk Management

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).

Commercial Insurance

The Library has obtained commercial insurance for the following risks: Comprehensive property and general liability; Vehicles; and Errors and omissions.

The Library also provides health insurance 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 Plan

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

Ohio Public Employees Retirement System

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 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.

**REED MEMORIAL LIBRARY
PORTAGE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 9 – Operating Lease

In 2003, the Library entered into a 30 year lease agreement with the City of Ravenna in accordance with Ohio Revised Code Section 721.22. The lease payments are for the Library property and renovation acquired with proceeds of \$5,350,000 Library Improvement bonds issued by the City of Ravenna maturing December 31, 2033. The lease payments are based upon the bond payment requirements and are supported by a voter approved tax levy. The Library disbursed \$284,894 to pay lease costs for the year ending December 31, 2016.

Amortization of the lease, including interest, is as follows:

Year ending December 31:	Principal	Interest	Total
2017	\$170,000	\$114,944	\$284,944
2018	170,000	109,844	279,844
2019	175,000	104,744	279,744
2020	180,000	101,244	281,244
2021	185,000	97,644	282,644
2022 - 2026	990,000	417,256	1,407,256
2027 - 2031	1,160,000	247,918	1,407,918
2032 - 2033	535,000	32,400	567,400
Total	<u>\$3,565,000</u>	<u>\$1,225,994</u>	<u>\$4,790,994</u>

Note 10 - Jointly Governed Organization

The Portage Library Consortium (PLC) authorized under Ohio Revised Code Section 3375.403 consists of the Portage County District Library, Reed Memorial Library, and Kent Free Library. The purpose of the consortium is 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. Council controls the budget and all financial concerns. The three Libraries allocate 1.3% of State Library and Local Government Support Fund (LLGSF) for a total of 3.9% allocation of revenue. The Portage County District Library acts as the fiscal agent for the consortium.

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Dave Yost • Auditor of State

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

Reed Memorial Library
Portage County
167 East Main Street
Ravenna, Ohio 44266

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 Reed Memorial Library, Portage County, (the Library) as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated April 24, 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Library's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Dave Yost
Auditor of State
Columbus, Ohio

April 24, 2017



Dave Yost • Auditor of State

REED MEMORIAL 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
MAY 11, 2017