



Dave Yost • Auditor of State



**MEDINA COUNTY DISTRICT LIBRARY  
MEDINA COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Medina County District Library  
Medina County  
210 South Broadway Street  
Medina, Ohio 44256

To the Board of Trustees:

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

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Medina County District Library, Medina County, Ohio (the Library), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

**Opinion**

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

**Accounting Basis**

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

**Other Matters**

*Other Information*

Our audit was conducted to opine on the financial statements taken as a whole.

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 November 7, 2018, 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

November 7, 2018

Medina County District Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited

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This discussion and analysis of the Medina County District Library's (Library) 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 cash basis 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 are as follows:

In 2016, net position of governmental activities decreased \$192,151 or 2.4 percent. This is part of the Library Board's long range financial plans to provide more materials, services and programs using the Library's cash reserves.

The Library's general receipts are primarily the Public Library Fund, Property Taxes, and Unrestricted Grants and Entitlements. These receipts represent 96 percent of the total cash received for governmental activities in 2016. Public Library Fund receipts increased by \$18,801 in 2016 over 2015. This fluctuation is due to the freezing of library funding by the State for the past several years, the return of public library funding as a percentage of the State's General Revenue Fund receipts in July of 2013, and an increase in the percentage of the General Revenue Fund allocated to libraries in 2016 from 1.66 percent to 1.70 percent.

In 2016, Property Taxes increased \$972,842 or 15.4 percent due to new construction, a strengthening housing market and increased tax collections by the county auditor.

**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 cash basis of accounting.

**Report Components**

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

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

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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Library's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Medina County District Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
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**Using the Basic Financial Statements (Continued)**

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

**Reporting the Library as a Whole**

The statement of net position and the statement of activities reflect how the Library did financially during 2016 within the limitations of cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the Library at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. 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 cash disbursements with program receipts identifies how each governmental function draws from the Library's general receipts.

These statements report the Library's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Library's financial health. Over time, increases or decreases in the Library's cash position is one indicator of whether the Library's financial health is improving or deteriorating. When evaluating the Library's financial condition, you should also consider other nonfinancial factors as well such as the state's funding levels, the increase/decrease of memberships, the extent of participation in the Library's activities from members and non-members. All these factors considered, give a good picture of the strengths and weaknesses of the organization.

In the statement of net position and the statement of activities, the Library has one type of activity:

Governmental activities - All of the Library's basic services are reported here, including library services, support services, and capital outlay. The Public Library Fund finances most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Library's Most Significant Funds**

Fund financial statements provide detailed information about the Library's major funds – not the Library as a whole. The Library establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Library are all in the governmental category.

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 significant governmental funds are presented on the



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Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
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**Reporting the Library's Most Significant Funds (Continued)**

financial statements in separate columns. The Library had three major governmental funds in 2016 – the General Fund, the Debt Service Fund, and the Building/Repair Fund. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.

**The Library as a Whole**

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

(Table 1)  
**Net Position**

|   | Governmental Activities |                     |
|---|-------------------------|---------------------|
|   | 2016                    | 2015                |
| <b>Assets</b>                             |                         |                     |
| Equity in Pooled Cash and Cash Equivalent | \$ 7,702,317            | \$ 7,894,468        |
| <i>Total Assets</i>                       | <i>\$ 7,702,317</i>     | <i>\$ 7,894,468</i> |
| <b>Net Position</b>                       |                         |                     |
| Restricted for:                           |                         |                     |
| Debt Service                              | \$ 543,080              | \$ 284,519          |
| Permanent Fund:                           |                         |                     |
| Nonexpendable                             | 12,373                  | 12,373              |
| Grant Fund/Other Purposes                 | 5,709                   | 6,385               |
| Unrestricted                              | 7,141,155               | 7,591,191           |
| <i>Total Net Position</i>                 | <i>\$ 7,702,317</i>     | <i>\$ 7,894,468</i> |

As mentioned previously, net assets of governmental activities decreased \$192,151 or 2.4 percent in 2016. This is part of the library Board's commitment to spend down some of its carryover reserve funds on materials, programs and services that the public is requesting.

Table 2 reflects the changes in net position in 2016 compared to 2015:

Medina County District Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited

(Table 2)  
**Changes in Net Position**

|  | Governmental Activities |              |
|--|-------------------------|--------------|
|  | 2016                    | 2015         |
| Receipts:                                  |                         |              |
| Program Receipts                           |                         |              |
| Charges for Services and Sales             | \$ 297,251              | \$ 283,519   |
| Operating Grants and Contributions         | 13,176                  | 15,000       |
| Total Program Receipts                     | 310,427                 | 298,519      |
| General Receipts:                          |                         |              |
| Public Library Fund                        | 3,474,333               | 3,455,532    |
| Property Taxes Levied for General Purposes | 4,331,880               | 4,263,654    |
| Property Taxes Levied for Debt Service     | 2,954,908               | 2,050,292    |
| Unrestricted Gifts and Contributions       | 39,053                  | 37,750       |
| Grants and Entitlements not Restricted     | 1,006,872               | 881,974      |
| Earnings on Investments                    | 67,915                  | 50,753       |
| Miscellaneous                              | 77,138                  | 96,710       |
| Special Item                               | -                       | 640,000      |
| Total General Receipts and Special Items   | 11,952,099              | 11,476,665   |
| Total Receipts                             | 12,262,526              | 11,775,184   |
| Disbursements:                             |                         |              |
| Current:                                   |                         |              |
| Library Services:                          |                         |              |
| Public Services and Programs               | 3,700,383               | 3,669,874    |
| Collection Development and Processing      | 2,392,572               | 2,311,768    |
| Support Services:                          |                         |              |
| Facilities Operations and Maintenance      | 793,848                 | 828,700      |
| Information Services                       | 393,865                 | 330,709      |
| Business Administration                    | 1,885,697               | 1,786,377    |
| Capital Outlay                             | 232,249                 | 298,493      |
| Debt Service:                              |                         |              |
| Principal Retirement                       | 2,240,000               | 2,200,000    |
| Interest and Fiscal Charges                | 816,063                 | 860,063      |
| Total Disbursements                        | 12,454,677              | 12,285,984   |
| Change in Net Position                     | (192,151)               | (510,800)    |
| Net Position Beginning of Year             | 7,894,468               | 8,405,268    |
| Net Position End of Year                   | \$ 7,702,317            | \$ 7,894,468 |

Program receipts represent only 3.3 percent in 2016 (excluding revenues for debt service payments) of total receipts and are primarily composed of fees associated with library services and overdue library materials fines.

Public Library Fund and Property Tax receipts, respectively, represent 37.3 and 46.6 percent in 2016 (excluding revenues for debt service payments).

Medina County District Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
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**The Library as a Whole (Continued)**

**Governmental Activities**

On the Statement of Activities on page 10, the first column lists the major services provided by the Library. The next column identifies the costs of providing these services. In 2016, the major program disbursements for governmental activities are for Public Services and Programs, Collection Development and Processing, and Business Administration which account for 39, 25 and 20 percent (excluding debt service) of all governmental disbursements, respectively. The next column of the Statement entitled Program Cash Receipts identify amounts paid by people who are directly charged for the service. The Net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)  
**Governmental Activities**

|                                       | <u>Total Cost<br/>of Services<br/>2016</u> | <u>Net Cost<br/>of Services<br/>2016</u> |
|---------------------------------------|--|--|
| Library Services:                     |  |  |
| Public Services and Programs          | 3,700,383                                  | (3,389,956)                              |
| Collection Development and Processing | 2,392,572                                  | (2,392,572)                              |
| Support Services:                     |  |  |
| Facilities Operation and Maintenance  | 793,848                                    | (793,848)                                |
| Information Services                  | 393,865                                    | (393,865)                                |
| Business Administration               | 1,885,697                                  | (1,885,697)                              |
| Capital Outlay                        | 232,249                                    | (232,249)                                |
| Debt Service:                         |  |  |
| Principal Retirement                  | 2,240,000                                  | (2,240,000)                              |
| Interest and Fiscal Charges           | 816,063                                    | (816,063)                                |
| Total Expenses                        | <u>\$ 12,454,677</u>                       | <u>\$ (12,144,250)</u>                   |

The dependence upon tax receipts and the Public Library Fund and other general revenues for governmental activities is demonstrated in the above tables. About 98 percent of disbursements are supported through the Public Library Fund, tax receipts and other general revenues in 2016.

In 2016, the Library's total government funds had receipts of \$12.3 million and disbursements of \$12.5 million. The greatest change within governmental funds occurred within the General, the Debt Service and the Building/Repair Funds. The fund balance of the General Fund decreased by \$621,582, primarily due to the replacement of a vehicle and aging computer equipment, and a \$250,000 transfer out to the Building/Repair Fund at year end to replenish its balance. The fund balance in the Building/Repair Fund increased \$171,478 primarily as a result that year-end transfer. The fund balance in the Debt Service Fund increased by \$258,560 due to increased tax collections by the county auditor.

Medina County District Library  
Management's Discussion and Analysis  
For the Year Ended December 31, 2016  
Unaudited

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**General Fund Budgeting Highlights**

The Library's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted funds is the General Fund. Under GASB 34 presentation requirements, the Library is not required to present budgetary statements for Debt Service and Capital Project funds.

During 2016, the Library amended its General Fund budget, increasing it by \$154,100. Final disbursements were budgeted at \$10.6 million while actual disbursements were \$9.9 million in 2016. The difference between final budgeted receipts and actual receipts was \$365,050 in 2016.

The Library kept spending well within total budgeted amounts and had budgetary cash fund balances of \$5.4 million at December 31, 2016.

**Capital Assets and Debt Administration**

**Capital Assets**

The Library does not currently record or account for depreciation of its capital assets.

**Debt**

As of December 31, 2016, the Library's outstanding debt included \$18,184,993 in general obligation and capital appreciation bonds for renovations to three buildings and construction of three new buildings. For further information regarding the Library's debt, refer to Note 9 to the basic financial statements.

**Current Issues**

The challenge for all libraries is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Library heavily depends on receipts from the Public Library Fund and Property Taxes. With the uncertainty of the Public Library Fund distribution, the Library must continue to be fiscally responsible with its taxpayer dollars and at the same time provide great services to the public.

**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 Kelly Kroll, Business Manager/ Fiscal Officer, Medina County District Library, 210 South Broadway Street, Medina, Ohio 44256.

**Medina County District Library, Medina County**

*Statement of Net Position - Cash Basis*

*For the Year Ended December 31, 2016*

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|   | Governmental<br>Activities |
|---|----------------------------|
| <b>Assets</b>                             |                            |
| Equity in Pooled Cash and Cash Equivalent | \$ 7,702,317               |
| <i>Total Assets</i>                       | <u>\$ 7,702,317</u>        |
| <br>                                      |                            |
| <b>Net Assets</b>                         |                            |
| Restricted for:                           |                            |
| Debt Service                              | \$ 543,080                 |
| Permanent Fund:                           |                            |
| Nonexpendable                             | 12,373                     |
| Grant Fund                                | 5,709                      |
| Unrestricted                              | <u>7,141,155</u>           |
| <i>Total Net Position</i>                 | <u>\$ 7,702,317</u>        |

See accompanying notes to the basic financial statements

**Medina County District Library, Medina County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2016*

|   | Program Cash Receipts |                                      |  | Net (Disbursements)<br>Receipts and Changes<br>in Net Position |
|---|-----------------------|--------------------------------------|--|--|
|   | Cash<br>Disbursements | Charges<br>for Services<br>and Sales | Operating<br>Grants and<br>Contributions | Governmental<br>Activities                                     |
| <b>Governmental Activities</b>                          |                       |                                      |  |  |
| Current:  |                       |                                      |  |  |
| Library Services:                                       |                       |                                      |  |  |
| Public Services and Programs                            | \$ 3,700,383          | \$ 297,251                           | \$ 13,176                                | \$ (3,389,956)   |
| Collection Development and Processing                   | 2,392,572             |                                      |  | (2,392,572)  |
| Support Services:                                       |                       |                                      |  |  |
| Facilities Operation and Maintenance                    | 793,848               | -                                    | -  | (793,848)  |
| Information Services                                    | 393,865               | -                                    | -  | (393,865)  |
| Business Administration                                 | 1,885,697             | -                                    | -  | (1,885,697)  |
| Capital Outlay  | 232,249               | -                                    | -  | (232,249)  |
| Debt Service:   |                       |                                      |  |  |
| Principal Retirement                                    | 2,240,000             | -                                    | -  | (2,240,000)  |
| Interest and Fiscal Charges                             | 816,063               | -                                    | -  | (816,063)  |
| <i>Total Governmental Activities</i>                    | <u>\$ 12,454,677</u>  | <u>\$ 297,251</u>                    | <u>\$ 13,176</u>                         | <u>\$ (12,144,250)</u>   |
| General Receipts:                                       |                       |                                      |  |  |
| Public Library Fund                                     |                       |                                      |  | 3,474,333  |
| Property Taxes Levied for General Purposes              |                       |                                      |  | 4,331,880  |
| Property Taxes Levied for Debt Service                  |                       |                                      |  | 2,954,908  |
| Grants/Entitlements not Restricted to Specific Programs |                       |                                      |  | 1,006,872  |
| Unrestricted Gifts and Contributions                    |                       |                                      |  | 39,053   |
| Earnings on Investments                                 |                       |                                      |  | 67,915   |
| Miscellaneous   |                       |                                      |  | 77,138   |
|   |                       |                                      |  | <u>11,952,099</u>  |
| Change in Net Position                                  |                       |                                      |  | (192,151)  |
| <i>Net Position Beginning of Year</i>                   |                       |                                      |  | <u>7,894,468</u>   |
| <i>Net Position End of Year</i>                         |                       |                                      |  | <u>\$ 7,702,317</u>  |

See accompanying notes to the basic financial statements

**Medina County District Library, Medina County**  
*Statement of Assets and Fund Balances - Cash Basis*  
*Governmental Funds*  
*For the Year Ended December 31, 2016*

|  | <u>General</u>      | <u>Debt Service<br/>Fund</u> | <u>Building/Repair<br/>Fund</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|------------------------------|---------------------------------|---|---|
| <b>Assets</b>                              |                     |                              |                                 |   |   |
| Equity in Pooled Cash and Cash Equivalents | \$ 6,057,196        | \$ 543,080                   | \$ 1,051,502                    | \$ 50,539                               | \$ 7,702,317                            |
| <i>Total Assets</i>                        | <u>\$ 6,057,196</u> | <u>\$ 543,080</u>            | <u>\$ 1,051,502</u>             | <u>\$ 50,539</u>                        | <u>\$ 7,702,317</u>                     |
| <b>Fund Balances</b>                       |                     |                              |                                 |   |   |
| Nonspendable                               | \$ -                | \$ -                         | \$ -                            | \$ 12,373                               | \$ 12,373                               |
| Restricted                                 | -                   | 543,080                      | -                               | 5,709                                   | 548,789                                 |
| Committed                                  | -                   | -                            | 156,297                         | 2,800                                   | 159,097                                 |
| Assigned                                   | 1,761,884           | -                            | 895,205                         | 29,657                                  | 2,686,746                               |
| Unassigned                                 | 4,295,312           | -                            | -                               | -                                       | 4,295,312                               |
| <i>Total Fund Balances</i>                 | <u>\$ 6,057,196</u> | <u>\$ 543,080</u>            | <u>\$ 1,051,502</u>             | <u>\$ 50,539</u>                        | <u>\$ 7,702,317</u>                     |

See accompanying notes to the basic financial statements

**Medina County District Library, Medina County**  
*Statement of Receipts, Disbursements and Changes in Fund Balances - Cash Basis*  
 Governmental Funds  
 For the Year Ended December 31, 2016

|  | General             | Debt Service<br>Fund | Building/Repair<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|----------------------|-------------------------|--------------------------------|--------------------------------|
| <b>Receipts</b>                                      |                     |                      |                         |                                |                                |
| Property and Other Local Taxes                       | \$ 4,331,880        | \$ 2,954,908         | \$ -                    | \$ -                           | \$ 7,286,788                   |
| Public Library                                       | 3,474,333           | -                    | -                       | -                              | 3,474,333                      |
| Intergovernmental                                    | 598,373             | 408,499              | -                       | -                              | 1,006,872                      |
| Grants   | -                   | -                    | -                       | 13,176                         | 13,176                         |
| Patron Fines and Fees                                | 297,251             | -                    | -                       | -                              | 297,251                        |
| Contributions, Gifts and Donations                   | 39,053              | -                    | -                       | -                              | 39,053                         |
| Earnings on Investments                              | 62,328              | -                    | 5,520                   | 67                             | 67,915                         |
| Miscellaneous  | 77,138              | -                    | -                       | -                              | 77,138                         |
| <i>Total Receipts</i>                                | <u>8,880,356</u>    | <u>3,363,407</u>     | <u>5,520</u>            | <u>13,243</u>                  | <u>12,262,526</u>              |
| <b>Disbursements</b>                                 |                     |                      |                         |                                |                                |
| Current:   |                     |                      |                         |                                |                                |
| Library Services:                                    |                     |                      |                         |                                |                                |
| Public Services and Programs                         | \$ 3,686,532        | \$ -                 | \$ -                    | \$ 13,851                      | \$ 3,700,383                   |
| Collection Development and Processing                | 2,392,572           | -                    | -                       | -                              | 2,392,572                      |
| Support Services:                                    |                     |                      |                         |                                |                                |
| Facilities Operation and Maintenance                 | 793,848             | -                    | -                       | -                              | 793,848                        |
| Information Services                                 | 393,865             | -                    | -                       | -                              | 393,865                        |
| Business Administration                              | 1,835,414           | \$ 48,783            | \$ 1,500                | -                              | 1,885,697                      |
| Capital Outlay                                       | 149,707             | -                    | 82,542                  | -                              | 232,249                        |
| Debt Service:  |                     |                      |                         |                                |                                |
| Principal Retirement                                 | -                   | 2,240,000            | -                       | -                              | 2,240,000                      |
| Interest and Fiscal Charges                          | -                   | 816,063              | -                       | -                              | 816,063                        |
|  | <u>9,251,938</u>    | <u>3,104,846</u>     | <u>84,042</u>           | <u>13,851</u>                  | <u>12,454,677</u>              |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(371,582)</u>    | <u>258,561</u>       | <u>(78,522)</u>         | <u>(608)</u>                   | <u>(192,151)</u>               |
| <b>Other Financing Sources (Uses)</b>                |                     |                      |                         |                                |                                |
| Transfers In   | -                   | -                    | 250,000                 | -                              | 250,000                        |
| Transfers Out  | (250,000)           | -                    | -                       | -                              | (250,000)                      |
| <i>Total Other Financing Sources (Uses)</i>          | <u>(250,000)</u>    | <u>-</u>             | <u>250,000</u>          | <u>-</u>                       | <u>-</u>                       |
| <b>Special Items:</b>                                |                     |                      |                         |                                |                                |
| <i>Net Change in Fund Balances</i>                   | (621,582)           | 258,561              | 171,478                 | (608)                          | (192,151)                      |
| <i>Fund Balances Beginning of Year</i>               | <u>6,678,778</u>    | <u>284,519</u>       | <u>880,024</u>          | <u>51,147</u>                  | <u>7,894,468</u>               |
| <i>Fund Balances End of Year</i>                     | <u>\$ 6,057,196</u> | <u>\$ 543,080</u>    | <u>\$ 1,051,502</u>     | <u>\$ 50,539</u>               | <u>\$ 7,702,317</u>            |

See accompanying notes to the basic financial statements



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

|  | Budgeted Amounts    |                     |                     | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|---|
|  | Original            | Final               | Actual              |   |
| <b>Receipts</b>                                      |                     |                     |                     |   |
| Property and Other Local Taxes                       | \$ 4,200,000        | \$ 4,200,000        | \$ 4,331,880        | \$ 131,880  |
| Public Library                                       | 3,330,000           | 3,330,000           | 3,474,333           | 144,333   |
| Intergovernmental                                    | 600,000             | 600,000             | 598,373             | (1,627)   |
| Patron Fines and Fees                                | 272,000             | 272,000             | 297,251             | 25,251  |
| Contributions, Gifts and Donations                   | 39,650              | 39,650              | 39,053              | (597)   |
| Earnings on Investments                              | 16,500              | 16,500              | 62,328              | 45,828  |
| Miscellaneous  | 57,156              | 57,156              | 77,138              | 19,982  |
| <i>Total Receipts</i>                                | <u>8,515,306</u>    | <u>8,515,306</u>    | <u>8,880,356</u>    | <u>365,050</u>  |
| <b>Disbursements</b>                                 |                     |                     |                     |   |
| Current:   |                     |                     |                     |   |
| Library Services:                                    |                     |                     |                     |   |
| Public Services and Programs                         | \$ 4,029,166        | \$ 4,032,166        | \$ 3,764,537        | \$ 267,629  |
| Collection Development and Processing                | 2,763,142           | 2,763,142           | 2,678,207           | 84,935  |
| Support Services:                                    |                     |                     |                     |   |
| Facilities Operation and Maintenance                 | 950,087             | 950,087             | 863,190             | 86,897  |
| Information Services                                 | 515,871             | 515,871             | 491,692             | 24,179  |
| Business Administration                              | 2,167,656           | 2,167,656           | 1,927,357           | 240,299   |
| Capital Outlay                                       | 189,034             | 190,134             | 156,265             | 33,869  |
| <i>Total Disbursements</i>                           | <u>10,614,956</u>   | <u>10,619,056</u>   | <u>9,881,248</u>    | <u>737,808</u>  |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(2,099,650)</u>  | <u>(2,103,750)</u>  | <u>(1,000,892)</u>  | <u>1,102,858</u>  |
| <b>Other Financing Sources (Uses)</b>                |                     |                     |                     |   |
| Transfers Out  | \$ (100,000)        | \$ (250,000)        | (250,000)           | -   |
| <i>Total Other Financing Sources (Uses)</i>          | <u>(100,000)</u>    | <u>(250,000)</u>    | <u>(250,000)</u>    | <u>-</u>  |
| <i>Net Change in Fund Balance</i>                    | (2,199,650)         | (2,353,750)         | (1,250,892)         | 1,102,858   |
| <i>Unencumbered Fund Balance Beginning of Year</i>   | 6,031,801           | 6,031,801           | 6,031,801           | -   |
| Prior Year Encumbrances Appropriated                 | 646,980             | 646,980             | 646,980             | -   |
| <i>Unencumbered Fund Balance End of Year</i>         | <u>\$ 4,479,131</u> | <u>\$ 4,325,031</u> | <u>\$ 5,427,889</u> | <u>\$ 1,102,858</u>                                     |

See accompanying notes to the basic financial statements

**Medina County District Library**

**Medina County, Ohio**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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

The constitution and laws of the State of Ohio establish the rights and privileges of the Medina County District Library, Medina County, Ohio, (the Library) as a body corporate and politic. Medina County District Library is a Library as defined by Section 3375.19 of the Ohio Revised Code.

A seven-member Board governs the Library, which provides the community with various educational and literacy resources. Of the seven Board members, three are appointed by the Judge of the Court of Common Pleas and four are appointed by the Board of the County Commissioners. All Board members are qualified electors of the Library District. Each trustee serves a term of seven years. The officers of the Board are the president, vice president and secretary, who are all elected and serve a term of one year.

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. 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 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 Medina County District Library have been prepared on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

***Basis of Presentation***

The Library's basic financial statements consist of government-wide financial 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 all financial activities of the Library. Governmental activities generally are financed through the Library Fund and property taxes.

The statement of net position presents the cash basis financial condition of 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, grants and contributions restricted to meeting the operational or capital requirements of a particular program,

**Medina County District Library**

**Medina County, Ohio**

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Basis of Presentation (Continued)***

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 activity is self-financing on a cash basis or draws from the Library's general receipts.

***Fund Financial Statements*** During the year, the Library segregates transactions related to certain Library functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Library at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

***Fund Accounting***

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

***Governmental Funds*** Governmental funds are those through which most government functions typically are financed. Governmental funds reporting focuses on the sources, uses and balance of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The difference between governmental fund assets and cash disbursements is reported as fund balance. 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.

***Debt Service Fund*** This fund is used to account for receipts that are restricted for the payment of general obligation bonds.

***Building/Repair Fund*** This fund is used to account for receipts that are for the repair and renovation of buildings, grounds and facilities.

The other governmental funds of the Library account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

***Basis of Accounting***

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

**Medina County District Library**  
**Medina County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting (Continued)***

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

***Budgetary Process***

The Library Board of Trustees 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 fund, function and object level of control.

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 appropriation 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 resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the 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 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 (contra revenue), respectively.

During 2016, investments were limited to STAR Ohio.

STAR 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 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

**Medina County District Library**  
**Medina County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Cash and Cash Equivalents (Continued)***

investment could be sold for on December 31, 2016.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest receipts credited to the General Fund during 2016 amounted to \$62,328. Per the Library Board's policy, interest on investments are also received to other library Funds as well.

***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.

***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.

***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.

***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.

**Medina County District Library**  
**Medina County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***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.

***Interfund Transactions***

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general receipts. The Library had one transfer in 2016 from the General Fund to the Building/Repair Fund in the amount of \$250,000.

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

***Accumulated Leave***

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

***Employer Contributions to Cost-Sharing Pension Plans***

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

**Medina County District Library**  
**Medina County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 2 - Summary of Significant Accounting Policies (Continued)**

***Long-Term Obligations***

The Library's cash basis financial statements do not report liabilities for long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid. For more detail refer to Note 9 of these financial statements.

***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. In 2016, net position was restricted for \$5,709 in the grant fund, \$543,080 in the debt service fund, and \$12,373 in the permanent fund.

**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 – Budget Basis presented for the General Fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year-end encumbrances are treated as disbursements (budgetary basis) rather than as a restricted, committed or assigned fund balance (cash basis). The encumbrances outstanding at year-end December 31, 2016 amounted to \$629,311 for the General Fund.

**Note 4 – Deposits and Investments**

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

Active deposits are public deposits necessary to meet current demands on the Library treasury. Such 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 Library has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by depositories,

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 may 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;

## Medina County District Library

### Medina County, Ohio

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2016*

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

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).

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 treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end 2016, the Library had \$1,317 in undeposited cash on hand, which is included on the balance sheet of the Library as part of "Equity in Pooled Cash and Cash Equivalents."

#### ***Deposits***

Custodial credit risk for deposits is the risk that in the event of bank failure, the Library will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2016, \$3,272,110 of the Library's bank balance of \$7,812,258, which includes \$3,675,107 of non-negotiable certificates of deposit was exposed to custodial credit risk as those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Library's name.

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



**Medina County District Library**  
**Medina County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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

of the deposits being secured.

***Investments***

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

| <u>Investment Type</u>      | <u>Fair Value</u><br>12/31/2016 | <u>Maturity(1)</u> | <u>Rating(2)</u> |
|-----------------------------|---------------------------------|--------------------|------------------|
| STAR OHIO (investment pool) | 12,971                          | Daily              | Aaa              |

(1) Weighted Maturity - Days

(2) S&P

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. 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.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The money markets and Star Ohio are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the Library’s name. The Library has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

**Note 5 – Public Library Fund Revenues, Tax Receipts and Tax Abatements**

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 county’s PLF revenues and its population. The two library systems in the county have an agreed-upon schedule of allocation of the county’s PLF revenues through 2018 that is provided to the County Budget Commission. The Budget Commission allocates the PLF funds to the Library based on this formula. The Budget Commission cannot reduce its allocation of these funds to the Library based on any additional revenues the Library receives.

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 Revenue. 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.

**Medina County District Library**  
**Medina County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

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**Note 5 – Public Library Fund Revenues, Tax Receipts and Tax Abatements (Continued)**

Public utilities are also taxed on personal and real property located within the taxing district.

Property owners assess tangible personal property tax. These owners must file a list of tangible property to the County by each April 30.

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

***Tax Abatements***

For 2016, Governmental Accounting Standards Board (GASB) Statement No. 77, “Tax Abatement Disclosures” was effective.

A tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments

Certain local governments including municipalities, townships and villages in the Library’s service district may have entered into abatement agreements that reduced the 2016 tax revenue received by the Library. According to the Medina County Auditor’s office, the Library’s portion of abated taxes totaled \$93,983 for the 2016 tax year.

**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. The Library maintains comprehensive insurance coverage with private carriers for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100% insured.

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years.

**Note 7 - Defined Benefit Pension Plan**

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

Plan Description – All 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, the majority of employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

**Medina County District Library**  
**Medina County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

**Note 7 - Defined Benefit Pension Plan (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):

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

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

**Medina County District Library**  
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**Note 7 - Defined Benefit Pension Plan (Continued)**

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

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

The Library's contractually required contribution was \$559,159.43 for year 2016.

**Note 8 - Postemployment Benefits**

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.

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.

**Medina County District Library**  
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**Note 8 - Postemployment Benefits (Continued)**

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. 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 \$79,880, \$78,906, and \$74,759, respectively. The full amount has been contributed for all three years.

**Note 9 - Long-Term Liabilities**

The changes in the Library's long-term obligations during 2016 consist of the following:

| <b>Long-Term Liabilities</b>        | Principal<br>Outstanding<br>1/1/2016 | Reductions          | Principal<br>Outstanding<br>12/31/2016 | Amounts<br>Due in<br>One Year |
|-------------------------------------|--------------------------------------|---------------------|--|-------------------------------|
| <b>Governmental Activities 2016</b> |                                      |                     |  |                               |
| 2011 Current Interest Bonds         | \$ 20,379,993                        | \$ 2,240,000        | \$ 18,139,993                          | \$ 2,290,000                  |
| 2011 Capital Appreciation Bonds     | 45,000                               | -                   | 45,000                                 |                               |
| Total                               | <u>\$ 20,424,993</u>                 | <u>\$ 2,240,000</u> | <u>\$ 18,184,993</u>                   | <u>\$ 2,290,000</u>           |

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**Note 9 - Long-Term Liabilities (Continued)**

In 2003, the Library issued \$42,300,000 in general obligation bonds, at rates from 2% - 5.25% and maturity dates from 2004 through 2023, for renovations to three buildings and construction of three new buildings. The voters approved a tax levy to pay off the bonds over 20 years.

In 2011, the Library refunded a portion of the above 2003 Series Bond for \$25,020,000, at rates from 2%-5% and maturity dates from 2012 through 2023. The bonds are to be paid over 12 years. The amount paid to the escrow agent was \$27,445,710, which is the amount left in its account held by its financial institution as of December 31, 2011. This amount is not reported in the Library's cash balance.

This issue is comprised of both current interest bonds, par value \$24,975,000, and capital appreciation bonds, par value \$45,000. The interest rates on the current interest bonds range from 2%-5%. The capital appreciation bonds mature on December 1, 2019 (approximate initial offering yield at maturity 2.81%) at a redemption price equal to 100% of the principal, plus interest at the redemption date. The accreted value at maturity for the capital appreciation bonds is \$225,005.

Principal and interest requirements to retire long-term liabilities outstanding at Dec. 31, 2016, are as follows:

| Year Ending | <u>Current Interest Bonds</u> |                    | <u>Capital Appreciation Bonds</u> |                  | <u>Total</u>        |
|-------------|-------------------------------|--------------------|-----------------------------------|------------------|---------------------|
|             | <u>Principal</u>              | <u>Interest</u>    | <u>Principal</u>                  | <u>Interest</u>  |                     |
| Dec. 31     |                               |                    |                                   |                  |                     |
| 2017        | \$ 2,290,000                  | \$ 771,263         |                                   |                  | \$ 3,061,263        |
| 2018        | 2,375,000                     | 679,663            |                                   |                  | 3,054,663           |
| 2019        | 2,319,993                     | 740,919            |                                   |                  | 3,060,913           |
| 2020        | 2,610,000                     | 447,163            |                                   |                  | 3,057,163           |
| 2021        | 2,745,000                     | 316,663            |                                   |                  | 3,061,663           |
| 2022-2023   | 5,800,000                     | 88,508             | \$45,000                          | \$180,005        | 6,113,513           |
| Total       | <u>\$18,139,993</u>           | <u>\$3,044,177</u> | <u>\$45,000</u>                   | <u>\$180,005</u> | <u>\$21,409,175</u> |

Bonds will be paid from the Debt Service Fund.

**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:

**Medina County District Library**  
**Medina County, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2016*

| <b>December 31, 2016</b>                     |                     |                     |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| <u>Fund Balances</u>                         | <u>General</u>      | <u>Debt Service</u> | <u>Bldg/Repair</u>  | <u>Other</u>        | <u>Total</u>        |
| <b>Nonspendable:</b>                         |                     | <u>Fund</u>         | <u>Fund</u>         | <u>Governmental</u> | <u>Governmental</u> |
|  |                     |                     |                     | <u>Funds</u>        | <u>Funds</u>        |
| Endowment for Non Expendable Trust           | \$ -                | \$ -                | \$ -                | \$ 12,373           | \$ 12,373           |
| Total Nonspendable                           | -                   | -                   | -                   | 12,373              | 12,373              |
| <b>Restricted for:</b>                       |                     |                     |                     |                     |                     |
| Debt Service                                 | -                   | 543,080             | -                   | -                   | 543,080             |
| Grant Fund                                   | -                   | -                   | -                   | 5,709               | 5,709               |
| Total Restricted                             | -                   | 543,080             | -                   | 5,709               | 548,789             |
| <b>Committed to:</b>                         |                     |                     |                     |                     |                     |
| Construction                                 | -                   | -                   | 156,297             | 2,800               | 159,097             |
| Total Committed                              | -                   | -                   | 156,297             | 2,800               | 159,097             |
| <b>Assigned to:</b>                          |                     |                     |                     |                     |                     |
| Vendors                                      | 629,310             | -                   | 895,205             | -                   | 1,524,515           |
| Other  | 1,132,574           | -                   | -                   | -                   | 1,036,144           |
| 801 Endowment Fund Interest Accrued          | -                   | -                   | -                   | 29,657              | 29,657              |
| Total Assigned                               | 1,761,884           | -                   | 895,205             | 29,657              | 2,686,746           |
| Total Unassigned                             | 4,295,312           |                     |                     |                     | 4,295,312           |
| <i>Total Fund Cash Balances, December 31</i> | <u>\$ 6,057,196</u> | <u>\$ 543,080</u>   | <u>\$ 1,051,502</u> | <u>\$ 50,539</u>    | <u>\$ 7,702,317</u> |

**Note 11 – Leases**

The Library leases equipment under non-cancelable leases. The Library made lease payments of \$5,802 in 2016. Future lease payments are as follows:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2017        | \$ 1,272      |
| 2018        | 1,272         |
| 2019        | <u>1,272</u>  |
| Total       | \$ 3,816      |

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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

Medina County District Library  
Medina County  
210 South Broadway Street  
Medina, Ohio 44256

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Medina County District Library, Medina County, Ohio, (the Library) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements and have issued our report thereon dated November 7, 2018, wherein we noted the Library uses a special purpose framework other than generally accepted accounting principles.

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

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

November 7, 2018



# Medina County District Library

**Administration Office**

210 South Broadway St., Medina, Ohio 44256

330-722-6235 • Fax 330-722-2855 • [www.mcld.info](http://www.mcld.info)

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2016

| Finding Number | Finding Summary   | Status          | Additional Information   |
|----------------|---|-----------------|--------------------------|
| 2015-2001      | <b>Material Weakness-<br/>Major Fund<br/>Determination:</b> The Library improperly excluded the Building/Repair Fund as a major fund. | Fully Corrected | Finding No Longer Valid. |

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# Dave Yost • Auditor of State

**MEDINA COUNTY DISTRICT LIBRARY**

**MEDINA 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 27, 2018**