

**PORTER PUBLIC LIBRARY
CUYAHOGA COUNTY, OHIO**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2017



Dave Yost • Auditor of State

Board of Trustees
Porter Public Library
27333 Center Ridge Road
Westlake, Ohio 44145

We have reviewed the *Independent Auditors' Report* of the Porter Public Library, Cuyahoga County, prepared by Julian & Grube, Inc., for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

July 11, 2018

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**PORTER PUBLIC LIBRARY
CUYAHOGA COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Porter Public Library
Cuyahoga County
27333 Center Ridge Road
Westlake, Ohio 44145

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 Porter Public Library, Cuyahoga County, Ohio, as of and for the year ended December 31, 2017, and the related notes to the basic financial statements, which collectively comprise the Porter Public Library's 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 Porter Public 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 Porter Public Library's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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 Porter Public Library, Cuyahoga County, Ohio, as of December 31, 2017, and the respective changes in cash financial position and the budgetary comparison for the General Fund, thereof for the years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2018 on our consideration of the Porter Public 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 Porter Public Library's internal control over financial reporting and compliance.



Julian & Grube, Inc.
May 29, 2018

Porter Public Library
Statement of Net Position - Cash Basis
December 31, 2017

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Investments	<u>\$5,888,419</u>
<i>Total Assets</i>	<u><u>\$5,888,419</u></u>
Net Position	
Restricted for:	
Permanent Fund Purpose:	
Nonexpendable	43,563
Other Purposes	10,894
Unrestricted	<u>5,833,962</u>
<i>Total Net Position</i>	<u><u>\$5,888,419</u></u>

See accompanying notes to the basic financial statements

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

	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
Current:			
Library Services:			
Public Services and Programs	\$1,961,635	\$129,945	\$38,664
Collection Development and Processing	1,332,445		(\$1,793,026)
Support Services:			
Facilities Operation and Maintenance	525,430		(525,430)
Information Services	139,050		(139,050)
Business Administration	947,307		(947,307)
Capital Outlay	148,087		(148,087)
<i>Total Governmental Activities</i>	<u>\$5,053,954</u>	<u>\$129,945</u>	<u>\$38,664</u>
General Receipts:			
Property Taxes Levied for General Purposes			3,403,098
Unrestricted Gifts and Contributions			14,941
Grants/Entitlements not Restricted to Specific Programs			1,504,496
Earnings on Investments			82,461
Miscellaneous			30,538
<i>Total General Receipts</i>			<u>5,035,534</u>
Change in Net Position			150,189
<i>Net Position Beginning of Year</i>			<u>5,738,230</u>
<i>Net Position End of Year</i>			<u>\$5,888,419</u>

See accompanying notes to the basic financial statements

Porter Public Library
Statement of Assets and Fund Balances- Cash Basis
Governmental Funds
December 31, 2017

	General	Permanent Improvement	Automation	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$3,645,998	\$1,808,847	\$371,655	\$61,919	\$5,888,419
<i>Total Assets</i>	<u>\$3,645,998</u>	<u>\$1,808,847</u>	<u>\$371,655</u>	<u>\$61,919</u>	<u>\$5,888,419</u>
Fund Balances					
Nonspendable				\$43,563	\$43,563
Restricted				10,894	10,894
Committed		\$23,025	\$5,000	7,462	35,487
Assigned	\$370,473	1,785,822	366,655		2,522,950
Unassigned (Deficit)	3,275,525				3,275,525
<i>Total Fund Balances</i>	<u>\$3,645,998</u>	<u>\$1,808,847</u>	<u>\$371,655</u>	<u>\$61,919</u>	<u>\$5,888,419</u>

See accompanying notes to the basic financial statements

Porter Public Library
*Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities - Cash Basis
December 31, 2017*

Total Governmental Fund Balances	<u>\$5,888,419</u>
<i>Net Position of Governmental Activities</i>	<u><u>\$5,888,419</u></u>

See accompanying notes to the basic financial statements

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

	General	Permanent Improvement	Automation	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$3,403,098				\$3,403,098
Intergovernmental	1,504,496				1,504,496
Patron Fines and Fees	62,244				62,244
Contributions, Gifts and Donations	16,301			\$37,304	53,605
Earnings on Investments	64,311	\$14,437	\$3,275	438	82,461
Miscellaneous	98,239				98,239
<i>Total Receipts</i>	<u>5,148,689</u>	<u>14,437</u>	<u>3,275</u>	<u>37,742</u>	<u>5,204,143</u>
Disbursements					
Current:					
Library Services:					
Public Services and Programs	1,852,619		74,807	34,209	1,961,635
Collection Development and Processing	1,216,273		116,132	40	1,332,445
Support Services:					
Facilities Operation and Maintenance	525,430				525,430
Information Services	107,208		31,842		139,050
Business Administration	929,181		18,126		947,307
Capital Outlay	69,217	78,870			148,087
<i>Total Disbursements</i>	<u>4,699,928</u>	<u>78,870</u>	<u>240,907</u>	<u>34,249</u>	<u>5,053,954</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>448,761</u>	<u>(64,433)</u>	<u>(237,632)</u>	<u>3,493</u>	<u>150,189</u>
Other Financing Sources (Uses)					
Transfers In		535,000	150,000		685,000
Transfers Out	(685,000)				(685,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(685,000)</u>	<u>535,000</u>	<u>150,000</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(236,239)	470,567	(87,632)	3,493	150,189
<i>Fund Balances Beginning of Year</i>	<u>3,882,237</u>	<u>1,338,280</u>	<u>459,287</u>	<u>58,426</u>	<u>5,738,230</u>
<i>Fund Balances End of Year</i>	<u>\$3,645,998</u>	<u>\$1,808,847</u>	<u>\$371,655</u>	<u>\$61,919</u>	<u>\$5,888,419</u>

See accompanying notes to the basic financial statements

Porter Public Library
*Reconciliation of the Statement of Receipts, Disbursements and Changes
in Fund Balances - Governmental Funds to the Statement of Activities - Cash Basis
For the Year Ended December 31, 2017*

Net Change in Fund Balances - Total Governmental Funds	<u>\$150,189</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$150,189</u></u>

See accompanying notes to the basic financial statements

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

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$3,417,000	\$3,402,053	\$3,403,098	\$1,045
Intergovernmental	1,458,608	1,506,997	1,504,496	(2,501)
Patron Fines and Fees	78,000	63,000	62,244	(756)
Contributions, Gifts and Donations	1,000	1,000	1,360	360
Earnings on Investments	45,000	65,000	64,311	(689)
Miscellaneous	58,000	93,000	98,239	5,239
<i>Total Receipts</i>	5,057,608	5,131,050	5,133,748	2,698
Disbursements				
Current:				
Library Services:				
Public Services and Programs	1,907,825	1,937,105	1,844,639	92,466
Collection Development and Processing	1,337,409	1,360,479	1,259,062	101,417
Support Services:				
Facilities Operation and Maintenance	588,023	600,749	555,229	45,520
Information Services	103,909	106,506	107,209	(703)
Business Administration	995,483	1,006,549	929,454	77,095
Capital Outlay	78,490	78,490	70,065	8,425
<i>Total Disbursements</i>	5,011,139	5,089,878	4,765,658	324,220
<i>Excess of Receipts Over (Under) Disbursements</i>	46,469	41,172	368,090	326,918
Other Financing Sources (Uses)				
Transfers Out	(125,000)	(685,000)	(685,000)	0
<i>Total Other Financing Sources (Uses)</i>	(125,000)	(685,000)	(685,000)	0
<i>Net Change in Fund Balance</i>	(78,531)	(643,828)	(316,910)	326,918
<i>Unencumbered Fund Balance Beginning of Year</i>	3,706,205	3,706,205	3,706,205	0
Prior Year Encumbrances Appropriated	121,879	121,879	121,879	0
<i>Unencumbered Fund Balance End of Year</i>	\$3,749,553	\$3,184,256	\$3,511,174	\$326,918

See accompanying notes to the basic financial statements

Porter Public Library
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
December 31, 2017

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$2,590</u>
<i>Total Assets</i>	<u><u>\$2,590</u></u>
Net Position	
Held on Behalf of Emp FSA Fund	<u>\$2,590</u>
<i>Total Net Position</i>	<u><u>\$2,590</u></u>

See accompanying notes to the basic financial statements

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

Note 1 – Description of the Library and Reporting Entity

Library service began in Dover, now known as Westlake, Ohio, in 1884 under the name of the Dover Literary Society. From this small beginning the Porter Public Library was organized as a school district public library in 1938 under the laws of the State of Ohio. The Library has its own Board of Trustees of seven members who are appointed by the Westlake Board of Education. Appointments are for seven-year terms and members serve without compensation. Under Ohio statutes, the Library is a body politic and corporate capable of suing and being sued, contracting, acquiring, holding, possessing, and disposing of real property, and of exercising such other powers and privileges conferred upon it by law. The Library also determines and operates under its own budget. Control and management of the Library is governed by sections 3375.33 to 3375.39 of the Ohio Revised Code with the administration of the day-to-day operations of the Library being the responsibility of the Director and financial accountability being solely that of the Fiscal Officer.

The Library is fiscally independent of the Board of Education, although the Board of Education serves in a ministerial capacity as the taxing authority for the Library. The determination to request approval of a tax levy, the role and purpose(s) of the levy, are discretionary decisions made solely by the Board of Library Trustees. Once those decisions are made, the Board of Education must put the levy on the ballot. There is no potential for the Library to provide a financial benefit to or impose a financial burden on the Board of Education.

Under the provisions of Statement No. 14 of the Governmental Accounting Standards Board (GASB), "The Financial Reporting Entity," GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement No.14," and Statement No. 61 "Omnibus- an Amendment of GASB Statements No. 14 and No. 34," the Library is considered to be a related organization of the Westlake City School District.

Component units are legally separate organizations for which the Library is financially accountable. The Library is financially accountable for an organization if the Library appoints a voting majority of the organization's governing board and (1) the Library is able to significantly influence the programs or services performed or provided by the organization; or (2) the Library is legally entitled to or can otherwise access the organization's resources; the Library is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Library is obligated for the debt of the organization. The Library is also financially accountable for any organizations for which the Library approves the budget, the issuance of debt or the levying of taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Library, are accessible to the Library and are significant in amount to the Library. The Library has no component units.

The Friends of the Porter Public Library, Inc. and The Westlake Porter Public Library Foundation are not-for-profit organizations with self-appointing boards. The Library is not financially accountable for these organizations, nor does the Library approve the budgets or the issuance of debt of the organizations. Therefore, these organizations have been excluded from the reporting entity of the Library.

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

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

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, the financial statements of the Porter Public Library have been prepared on the 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 GASB pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The most significant of the Library's accounting policies are described below.

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library, except for fiduciary funds.

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

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

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 and fiduciary.

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

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

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

Note 2 - Summary of Significant Accounting Policies continued

Permanent Improvement Fund – The permanent improvement fund accounts for and reports resources committed by the Board of Library Trustees specifically for major capital improvements.

Automation Fund – The automation fund accounts for and reports resources committed by the Board of Library Trustees specifically for major technology improvements.

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

Fiduciary Funds The fiduciary fund includes an agency fund. Agency funds are purely custodial and are used to hold resources for individuals, organizations or other governments. The Library's agency fund accounts for its employees' Medical Flexible Spending Account and Dependent Care Account.

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.

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

All funds (except agency funds) are legally required to be appropriated. The appropriations resolution is the Trustee's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Trustees. The legal level of control has been established at the fund and major object code level for all funds. Budgetary modifications at the legal level of control may only be made by resolution of the Board of Library Trustees.

For control purposes, the Library estimates cash receipts to be received during 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.

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

Note 2 - Summary of Significant Accounting Policies continued

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

Cash and Cash Equivalents

Library records identify the purchase of specific investments to specific funds.

To improve cash management, cash received by the Library is pooled and invested. Individual fund integrity is maintained through the Library's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments with original maturities of three months or less at the time they are purchased and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts, respectively.

During 2017, investments were limited to Commercial Paper, Negotiable Certificates of Deposit, Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA) and STAR Ohio. Except for STAR Ohio, these investments are recorded at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Library measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to all governmental funds during 2017 amounted to \$82,461.

Restricted Assets

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

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

Note 2 - Summary of Significant Accounting Policies continued

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.

Interfund Receivables/Payables

The Library reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. The Library had no interfund receivables/payables during this reported period.

Accumulated Leave

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

Employer Contributions to Cost-Sharing Pension Plans

The Library recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Long-Term Obligations

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

Net Position

Net positions are 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. Net position restricted for other purposes include resources restricted for various purposes indicated by donors.

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

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

Note 2 - Summary of Significant Accounting Policies continued

Fund Balance

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

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

Restricted - Fund balance is reported as restricted when constraints are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations by 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 previously to commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

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

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 the 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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods 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.

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

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). Additionally, three funds are included in the general fund for GASB 54 purposes, but have separate legally adopted budgets (budgetary basis). The encumbrances outstanding at year end 2017 (budgetary basis) amounted to \$78,280. The fund balances of funds budgeted elsewhere at year end 2017 (budgetary basis) amounted to \$56,544.

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, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies 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;
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. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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

Note 4 - Deposits and Investments continued

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

The Library's deposits are insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized through the Ohio Pooled Collateral System (OPCS).

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.

At year end December 31, 2017 the Library had \$1,344 in undeposited cash on hand for petty cash purposes, which is included as part of Equity in Pooled Cash and Cash Equivalents on the financial statements.

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 fiscal year-end 2017 the carrying amount of the Library's deposits was \$334,495 and the bank balance was \$303,259.

Investments

As of December 31, 2017 the Library had the following investments and maturities:

Investment Type	Carrying Amount	Investment Maturities (in Years)			
		Less than 1	1-2	3-5	More than 5
Commercial Paper	\$ 504,309	\$ 504,309			
Negotiable CDs	\$ 3,179,332	\$ 860,000	\$ 1,823,332	\$ 496,000	
FHLMC	\$ 860,866		\$ 448,985	\$ 411,881	
FHLB	\$ 266,786			\$ 266,786	
FNMA	\$ 534,000		\$ 534,000		
Government money market	\$ 33,156	\$ 33,156			
Star Ohio	\$ 176,721	\$ 176,721			
Total Investments	\$5,555,170	\$1,574,186	\$2,806,317	\$1,174,667	\$0

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

Note 4 - Deposits and Investments continued

The weighted average maturity of investments is 2.26 years.

Interest Rate Risk

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. The Library investment policy also limits security purchases to those that mature within five years unless specifically matched to a specific cash flow.

Credit Risk

The Library's investments in federal agency securities carry a rating of AA+ by Standard & Poor's and Aaa by Moody's Investor Services. The Library's investments in commercial paper were rated A-1 by Standard and Poor's and P-1 by Moody's Investor Services. The Library's investment policy does not deal with investment credit risk beyond the requirements in State statute contained in ORC Section 135. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of 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 negotiable CDs are covered by FDIC. The federal agency securities and commercial paper 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 35.14(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."

Concentration of Credit Risk

The Library places no limit on the amount it may invest in any one issuer. The following investments represent five percent or more of total investments as of December 31, 2017:

Investment Issuer	Percentage of Investments 2017
Commercial Paper	9%
FHLMC	15%
FNMA	10%
FHLB	5%
Negotiable CDs	57%
Government Money Market	1%
STAR Ohio	3%
Total	100%

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

Note 5 – Property Taxes and Tax Abatements

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the Westlake School District. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

Property taxes levied for 2017 are levied on the assessed value as of January 1, 2013, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2016 real property taxes are collected in and intended to finance 2017.

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

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

The full tax rate for all Library operations for the year ended December 31, 2017 was 2.80 (2.8 mills) per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2017 property tax receipts were based were as follows:

<u>Assessed Values</u>	<u>2017</u>
Real Property	\$1,029,030,270
Other Real Estate	386,811,130
Public Utility Personal Prop	<u>27,951,630</u>
	<u>\$1,443,793,030</u>

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

Tax Abatements Entered Into By Other Governments

As of December 31, 2016, which is the most recent information available, the City of Westlake provides tax abatements through Community Reinvestment Area programs. Pursuant to Ohio Revised Code Chapter 5709, the City has established a Community Reinvestment Area to provide property tax abatements to encourage revitalization of existing buildings and the construction of new structures. Abatements are obtained through application by the property owner, including proof that the improvements have been made, and equal 50 percent of the additional property tax resulting from the increase in assessed value as a result of the improvement. The amount of the abatement is deducted from the recipient's tax bill. The City also contracts with the overlapping school district for payments in lieu of taxes when required by Ohio Revised Code. For 2016, the value of the taxes being abated was \$22,165.

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

Note 6 – Interfund Transfers

In 2017, the General Fund transferred \$535,000 to the Permanent Improvement Fund for future capital improvements and \$150,000 to the Automation Fund for future technology improvements.

Note 7 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2017 the Library contracted with Cincinnati Insurance Company for the following types of insurance coverage:

	<u>2017</u>
Inland Marine	\$9,100,000
General Liability	
Per Occurrence	1,000,000
Aggregate	3,000,000
Umbrella	2,000,000
Automobile	500,000
Commercial Crime	
Employee Dishonesty	1,000,000
Public Officials Bond	150,000

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

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

Note 8 - Defined Benefit Pension Plan

Plan Description – Ohio Public Employees Retirement System (OPERS)

Library employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Library employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

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

Note 8 - Defined Benefit Pension Plan continued

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):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements:	Age and Service Requirements:	Age and Service Requirements:
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
Formula:	Formula:	Formula:
2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final Average Salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

Note 8 - Defined Benefit Pension Plan continued

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Library's contractually required contribution for 2017 was \$355,471.

Note 9 – Postemployment Benefits

Plan Description – 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.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

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

Note 9 – Postemployment Benefits continued

Funding Policy – The post-employment health care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016, and was 1.0 percent during calendar year 2017. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4.0 percent.

Substantially all of the Library’s contribution allocated to fund postemployment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 was \$27,343, \$52,008, and \$50,203, respectively. The full amount has been contributed for 2017, 2016 and 2015.

Note 10- Leases

The Library leases buildings, vehicles and other equipment under noncancelable leases. The Library disbursed \$13,860 to pay lease costs for the year ended December 31, 2017. Future lease payments are as follows:

Year	Amount
2018	\$ 6,510
2019	6,510
2020	6,510
2021	6,510
Total	\$ 26,040

Note 11 – Contingent Liabilities

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

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

Note 12 – Related Organizations

The Library does not have any related organizations for which it is accountable.

The Library has the following affiliate organizations for which it is not accountable: Friends of Westlake Porter Public Library and Westlake Porter Public Library Foundation.

Note 13 – 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:

2017 Fund Balances

Fund Balances	General	Permanent Improvement	Automation	Other Governmental Funds	Total
Nonspendable					
Permanent	0	0	0	43,563	43,563
Restricted for					
Other				273	273
K-6 Educational Materials				459	459
Serious Music Materials				236	236
Christina's Corner				9,926	9,926
Total Restricted	0	0	0	10,894	10,894
Committed to					
Special Fund				7,462	7,462
2017 Outstanding Encumbrances		23,025	5,000		28,025
Total Committed	0	23,025	5,000	7,462	35,487
Assigned to					
Capital Outlays		1,785,822			1,785,822
Automation Improvement			366,655		366,655
2017 Outstanding Encumbrances	78,280				78,280
Subsequent Year's Appropriations	292,193				292,193
Total Assigned	370,473	1,785,822	366,655	0	2,522,950
Unassigned	3,275,525	0	0	0	3,275,525
<i>Total Fund Balances</i>	<i>\$3,645,998</i>	<i>\$1,808,847</i>	<i>\$371,655</i>	<i>\$61,919</i>	<i>\$5,888,419</i>

Note 14 - Change in Accounting Principles

For 2017, the Library has implemented GASB Statement No. 80, "Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14", GASB Statement No. 81 "Irrevocable Split-Interest Agreements", and GASB Statement No. 82, "Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73".

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

Note 14 - Change in Accounting Principles continued

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Library.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the Library.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the Library.



Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Porter Public Library
Cuyahoga County
27333 Center Ridge Road
Westlake, Ohio 44145

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 Porter Public Library, Cuyahoga County, Ohio, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Porter Public Library's basic financial statements and have issued our report thereon dated May 29, 2018, wherein we noted the Porter Public 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 Porter Public 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 Porter Public 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 a 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 Porter Public 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.

Board of Trustees
Porter Public Library

Compliance and Other Matters

As part of reasonably assuring whether the Porter Public 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 Porter Public Library's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Porter Public Library's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in dark ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.
May 29, 2018



Dave Yost • Auditor of State

PORTER PUBLIC LIBRARY

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 24, 2018